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China Asks Patience on \$4 Billion in Bad Loans

Liquidation of CITIC Won't Start Until April At Earliest, Banks Told

Compiled by Our Staff From Reuters

GUANGZHOU, China — Government officials Sunday told foreign creditors of China's biggest financial failure not to expect repayment soon of the \$4 billion they are owed soon.

At a meeting in Guangzhou, about 150 representatives of international banks, dominated by Hong Kong-based banks, were told that the liquidation of Guangdong International Trust & Investment Corp., also known as CITIC, would not begin for at least another three months.

"You're just not going to know what the assets are worth until the liquidation process starts," said Glenn Henricksen, head of Asia risk management at Bear Stearns Cos., who was among the creditors at the meeting.

CITIC became the first financial institution in modern Chinese history to default on an international bond on Oct. 26, when it missed an \$8.75 million

Russia says it will need help to pay its foreign debts this year. Page 11.

coupon payment on a U.S. dollar-denominated bond. It owes a total of \$4.07 billion to foreign and domestic creditors, including contingent liabilities, according to a statement by the Chinese group leading the liquidation.

Without the contingent liabilities — mainly guarantees to other companies and projects, many of which may not have to be repaid because of legal questions — the company still owes foreign creditors about \$1.2 billion more than it can pay. It had assets of 2.16 billion yuan (\$260.9 million) and liabilities of 3.62 billion yuan, the statement said.

China has said that it is likely to honor all of the debt that was officially registered and to negotiate the rest. Chinese officials said Sunday that all creditors would be treated equally.

Thailand, Malaysia, Hong Kong and America don't have preferential treatment in their bankruptcy laws, said Wu Jiesi, the assistant governor of Guangdong Province. "China is moving toward a market economy, so it's my preference to go this way. All creditors should be treated equally under the law."

There were warnings, however, that the debt figures may well be incorrect.

"It is difficult to make a correct judgment because of the existence of doubts about the integrity and accuracy of the data," a statement by the group leading the liquidation said.

Chinese officials said they had found 240 local and foreign companies wholly owned by CITIC, compared with the 132 companies acknowledged by the conglomerate.

The liquidation of CITIC is a "complex issue," a spokesman for the Guangzhou branch of the Chinese central bank said, "and no one should expect a final result in the near term."

"We never said that everything would be made clear by now," the spokesman said. "No deadline has been set for when the issue will be cleared up."

GITIC's financial arm was shut by the central bank in October. Creditors had until last week to make claims.

Creditors are waiting to hear how China will approach the liquidation. Bankers said the central government can either pay lenders directly and sift through CITIC's assets later or start selling its businesses and pay debts based on a ratio of the money raised to what is owed.

Creditors have said that repayment would allow the foreign banks to increase lending to other Chinese companies and projects. Such lending dried up after the company's failure.

Separately, the head of the Hong Kong Monetary Authority, the region's de facto central bank, said Sunday it would not require banks to make provisions for bad loans to GITIC.

"I hope banks can study the information available and make their own decisions," Joseph Yam, the head of the authority, said. I do not think it is necessary for the monetary authority to issue guidelines.

"It is difficult to say how much of registered debt will be repaid, or if it will have priority," he said, referring to debt that had been registered with China's State Administration for Foreign Exchange. (Bloomberg, AFP, Reuters)



Rebels of the Kosovo Liberation Army patrolling Sunday near Podujevo, in northern Kosovo, where Yugoslav Army tanks had bombarded mountain bases of the ethnic Albanian guerrillas the day before.

Standoff Over Hostages in Kosovo

Ethnic Albanians Won't Free 8 Soldiers Without Prisoner Exchange

Compiled by Our Staff From Reuters

PRISTINA, Yugoslavia — Ethnic Albanian rebels in Kosovo who are holding eight Yugoslav soldiers said Sunday that they were demanding an "exchange of prisoners of war" in return for the captives' release.

The soldiers "will be released when an agreement has been concluded with American and European mediators on the exchange of prisoners of war, in line with international conventions," the Kosovo Liberation Army said in a statement released to the press here.

Members of a mission created by the Organization for Security and Cooperation in Europe have been negotiating with the rebels for the release

of the eight soldiers. They were seized Friday near Stari Trg, a mining town 40 kilometers (25 miles) northwest of the regional capital, Pristina.

The seizures prompted the Yugoslav government to dispatch army units to the region, although it agreed to hold back from any further military action while the negotiations were under way.

Heinz Nitsch of the European observers — put in place to monitor a U.S.-brokered cease-fire that began in mid-October — visited the men Saturday and reported that they were all in good health.

The seizures added to a week of tension in the Serbian province, where

Yugoslav Army tanks bombarded mountain bases of the Kosovo Liberation Army near the town of Podujevo for several hours Saturday.

"The fact that talks are still going on is a positive sign," said Sandy Blyth, a spokesman for the Organization for Security and Cooperation in Europe.

The Yugoslav Army has also been making a show of force around Stari Trg, a few kilometers from the mountains where the separatists were believed to be holding the soldiers.

Podujevo, in northern Kosovo, was quiet as were other areas where Yugo-

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A Serb War-Crimes Suspect Is Killed

By Charles Truher
Washington Post Service

PARIS — French soldiers shot and killed a suspected Bosnian Serb war criminal this weekend as he prepared to ram the soldiers with his vehicle at a mountain roadblock set up to arrest him, the second time a Bosnian Serb war-crimes suspect has been killed during an attempt to arrest him.

The shooting occurred Saturday near the town of Foca in the Serbian Republic of Bosnia-Herzegovina, in an area 50 kilometers (30 miles) southeast of Sarajevo, but a UN spokeswoman said five monitors for the United Nations' international police force were hurt in the town Saturday when a crowd of 100 angry residents surrounded their police station and some of them burst

inside. An officer from India and another from Portugal were still hospitalized and the three others, a Spaniard, a German and an American, were slightly injured, the spokeswoman said.

According to information supplied by the French Defense Ministry, NATO and the UN International War Crimes Tribunal in The Hague, French soldiers at the roadblock barred the way to the vehicle Mr. Gagovic was driving.

When he drove toward the soldiers, they opened fire in what Secretary-General Javier Solana Madariaga of NATO described as self-defense. A doctor pronounced Mr. Gagovic dead on arrival at a local hospital.

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Malaysia Turns Its Back on Tycoons

If We Are Going to Bail Out the Company, Why Does He Have to Stay?

By Thomas Fuller
International Herald Tribune

KUALA LUMPUR — When critics complain about Malaysia's brand of crony capitalism, the name that usually comes up first is Halim Saad, a boyish-looking millionaire who runs the country's largest infrastructure company.

Political connections do not get any better than this: Mr. Halim's company, Renong Bhd., was once the business arm of the governing political party. Over the past decade, Renong has secured many of the most prized government contracts, and Mr. Halim is a friend and protégé of Daim Zainuddin, the governing party's treasurer who was appointed finance minister Friday.

Yet Mr. Halim is in trouble, and so are many of the cash-strapped Malaysian cronies these days as the government

becomes increasingly reluctant to bail them out for fear of a public backlash.

Since economic turmoil swept through Southeast Asia 18 months ago, it has been fashionable, especially in the context of Malaysia, to speak of crony capitalism — close links between businessmen and governments. These links, the argument goes, are impediments to reform because bad management is not punished. Governments bail out companies, but the same faces remain at the top.

But the government's recent attitude toward some high-profile Malaysian companies in recent weeks, including Renong, tells a different story.

The Finance Ministry has rejected an initial plan to rescue Renong from its sea of debt, and the government has allowed foreign creditors to pursue its faulted debts.

"There is a feeling that if we are

going to put money in, why don't we take control?" said a government adviser who has spoken to both Mr. Daim and Prime Minister Mahathir bin Mohamad about the issue.

Renong is not the only crony company in trouble.

The Malaysian central bank took control of the largest finance company in the country, MBF Finance Bhd., last week. Frustrated with the management of the company, the bank effectively fired the chief executive officer — a member of a high-profile family — and replaced him with a bureaucrat.

In December, the head of the country's largest financial-services group, RHB Bhd., ceded control of his company after the government helped restructure his debts.

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AGENDA

France Sees Need for New Iraq Monitors

PARIS (Reuters) — Foreign Minister Hubert Vedrine said Sunday a new weapons monitoring group was needed to track down Iraq's attempts at rebuilding an arsenal of weapons of mass destruction.

He said the UN Special Commission had been efficient "but there is a new situation and we cannot progress further" with methods used by Unscorm and its director, Richard Butler.

Related article, Page 6.

2 Journalists Shot
FREETOWN, Sierra Leone (AP)

— Two journalists for The Associated Press were shot Sunday while covering the civil war here in the embattled capital of Sierra Leone.

While medical confirmation of their condition was not immediately available, they appeared to have been seriously hurt. Page 5.

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The IHT on-line www.iht.com

Chinese Aspire to the 'Big Nose' Look

By John Pomfret
Washington Post Service

BEIJING — Lang Wenyu, a slight 26-year-old woman with a contagious case of the giggles, lay on an operating table in a hospital in Beijing.

"Of course it's because I want to become beautiful," she said, her face wrapped in white cloth and her tiny nose poking out from the swaddling. Three doctors hovered nearby. One prepared a scalpel. Another kneaded a small ball of paste.

Miss Lang's nose was the object. In less than an hour, it was going to double in size. And the shop clerk from Hebei Province would become another statu-

istic among the growing number of Chinese who are embracing plastic surgery in the search for beauty, marriage and a happier life.

"It will help me find a boyfriend," Miss Lang intoned with confidence.

Minutes later Zhou Xiaoling, one of the chief plastic surgeons in Beijing, sliced open her diminutive schnozzle and inserted the paste, raising and turning the pert tip into a bit of a hook. "My two friends did it and their love lives started. I'm ready for mine to start, too," Miss Lang said.

For the first few decades of Communism China's existence, beauty was bourgeois and bad. Beauty is still bourgeois, but in today's China bourgeois is

good. So good, in fact, that young men and women are falling over themselves to improve their appearances, embracing plastic surgery, gyms, dance halls, swimming pools, diets and beauty salons with a passion for pulchritude not seen since the Roaring 20s in Shanghai.

From \$1 billion a year in the early 1990s, women's purchases of cosmetics have rocketed to \$4.2 billion, according to the Beijing-based 21st Century Market Research Corp. Men are jumping into the fray as well, slapping on skin creams and rare oils with a passion almost equaling their sisters'.

"If I have a bigger nose, I think I will

See BEAUTY, Page 6

THE AMERICAS

Clinton's Trial May Yet Recall O.J.'s

By Ruth Marcus
Washington Post Service

WASHINGTON — The Senate trial of President Bill Clinton could look like anything from a tedious rehashing of the existing evidence, accompanied by dressed-up legalistic arguments, to a full O.J. Simpson-style spectacle, with Chief Justice William Rehnquist in the improbable role of Judge Lance Ito.

The elaborate procedure endorsed Friday by a unanimous Senate guarantees only that the toughest fights — over whether to permit live testimony, as the House "managers" demand and the White House is seeking devoutly to avoid — are postponed for at least a few weeks.

But with motions due Monday and opening presentations starting Thursday, the evidence that Mr. Clinton obstructed justice in his efforts to conceal his relationship with Monica Lewinsky and then lied under oath to the grand jury will receive its fullest airing since the report by the independent counsel, Kenneth Starr, hit the Internet in September.

As the Senate majority leader, Trent Lott, Republican of Mississippi, vowed in a radio address Saturday to insist on "high standards of de-

cency and decorum" in the historic trial. White House lawyers and the 13 House Republican prosecutors were considering the major strategic decisions they must make in the next few days. Mr. Clinton's defense team met through much of the day Saturday and the House prosecutors planned to meet Monday to ready a new plan for a much more extensive opening presentation than they had envisioned.

"We're going to have to go back to the drawing board and see how to proceed within that time frame," said Representative Charles Canady, Republican of Florida, one of the managers.

The White House must decide which pretrial motions and defenses it should raise at this stage as it seeks to strike a balance between not clogging the jury of 100 senators with overtly hairsplitting legal arguments and not abandoning any promising lines of attack.

The House team must tool a plan for an aggressive prosecution that has made key senators in both parties wary of a trial that could hinge on salacious details.

And both sides find themselves in the strange legal position of figuring out how to use their 24 hours each, probably spread over three days, to present their best case

while not knowing whether any witnesses will follow or who they will be.

The issues include mundane matters — among those being considered was whether the antiquated Senate rules allow the lawyers to wheel television monitors onto the Senate floor, to present snippets of videotaped testimony — along with fundamental questions about the case.

White House advisers, for example, are debating whether to concentrate on unraveling the case against Mr. Clinton or to use some of their time to revive attacks on Mr. Starr and his investigation.

And for days the House Republican prosecutors have discussed whether they should seek to introduce evidence not weighed by the House during its impeachment proceedings last month.

The White House will be the first side heard from this week, when on Monday it submits its answer to the Senate summons and, later in the day, any pretrial motions.

The White House can present any number of arguments in its filing Monday or trial brief due Wednesday that the articles should be dismissed because they were passed by a lame-duck House (an argument that is likely to

be muted, if it is raised at all, in part because Senate Democrats have argued that it is not a productive approach), that the articles are too vague to defend against and that they were improperly and unfairly drafted by lumping numerous allegedly impeachable acts together in a single count.

The White House at that stage could make a preemptive bid to have the case tossed out on grounds that the allegations against Mr. Clinton, even if true, do not merit his custer.

But because the agreement forged by the Senate contemplates hearing such a motion to dismiss at the close of the oral arguments and because it is unlikely that a majority would vote to dispose of the case before at least taking that step, the White House may choose to refrain from making a motion to dismiss Monday. That would allow it to avoid suffering a political setback and having senators put themselves on record this early in the trial.

On Wednesday, the House will respond to the White House argument and the Senate will hear from both sides, debate and vote on the pretrial motions.

The opening arguments beginning Thursday, first by the House and then, a week from Tuesday, by the White House, inevitably will proceed along a strange dual track: the lofty constitutional plane of the meaning of "high crimes and misdemeanors" and the nitty-gritty, often sordid, factual level of disputes over events and their implications.

By Michael Dobbs
Washington Post Service

WASHINGTON — Henry Kissinger's memoirs contain a graphic account of his first visit as secretary of state to China in November 1973. He describes Mao Zedong's "mocking, slightly demonic smile," the health problems of Premier Zhou Enlai and his own delight in excluding State Department officials from key meetings.

What Mr. Kissinger did not reveal was that he used the visit to warn Chinese leaders of a possible Soviet nuclear attack and to offer them an early-warning system and the help of U.S. spy satellites.

A compilation of Mr. Kissinger's conversations with Chinese and Soviet leaders was recently released by the National Security Archive, an independent research center in Washington. The compilation shows that President Richard Nixon's triangular diplomacy with Moscow and Beijing involved a much earlier, much higher level of U.S. strategic assistance to China than has been acknowledged officially.

"I would steer clear of the word alliance," said James Lilley, a former U.S. ambassador to China, "but there was collusion and cooperation against a common target."

"It started very early," said Mr. Lilley, who had been the CIA's first station chief in Beijing, starting in July 1973. "Right after Kissinger's initial trip to Beijing," Mr. Kissinger's first trip was in July 1971, when he was Mr. Nixon's national security adviser.

Within five months of that trip, the documents show, Mr. Kissinger met the Chinese ambassador to the United Nations, Huang Hua, at a CIA safe house in New York and offered him "whatever satellite information we have about the disposition of Soviet forces."



Mr. Kissinger warned against the Soviets and offered satellite data.

For ideological and political reasons — China was after all a Marxist state in the throes of internal upheavals — Washington and Beijing took pains to conceal the level of their cooperation both from Moscow and the public.

The U.S. proposal to provide China with satellite intelligence of a Soviet military buildup had to be implemented in such a way "that no one feels that we are allies," Mr. Zhou insisted on Nov. 14. Mr. Kissinger agreed.

Their conversation was detailed in a "Top Secret/Sensitive/Exclusively Eyes Only" memo for Mr. Nixon. The memo is one of hundreds of Kissinger conversations put together by William Burr of the National Security Archive, which got them through Freedom of Information Act, and published as "The Kissinger Transcripts."

Mr. Kissinger dismissed the con-

cerns of the Soviet ambassador to Washington, Anatoli Dobrynin, about such intelligence-sharing, saying "Anatoli, do you think I would be this amateurish, and do you think that could be of any precise concern to us?"

The documents show Mr. Kissinger maneuvering between Beijing and Moscow, flattery his interlocutors to their faces and denigrating them behind their backs.

With Leonid Brezhnev, Mr. Kissinger adopted a jocular relationship, kidding him about his passion for hunting and joking at one point: "What are 3,000 MIRVs multiple, independently targeted nuclear warheads among friends?"

In a conversation with British officials, he called the Soviet leaders liars and "the most unpleasant group" of people with whom he had dealt. Talking with President Gerald Ford, he referred to Chinese leaders as "cold, pragmatic bastards."

Although Mr. Kissinger offered Beijing as early as 1973 a hot line that could give an early warning of a Soviet attack, the Chinese did not accept the proposal until last year, during President Bill Clinton's visit.

The U.S. relationship with China has also broadened to include providing the Chinese with sophisticated computer technology, setting up electronic listening posts along the Chinese-Russian border and launching U.S. satellites aboard Chinese rockets.

Last month, a House select committee headed by Representative Christopher Cox, Republican of California, issued a report alleging that two decades of technology transfers to the Chinese missile program had damaged U.S. national security.

Mr. Kissinger's office told The Associated Press that he was traveling and unavailable for comment on the documents.

Republicans Feel the Fallout

Impeachment Has Stirred Up Internal Divisions

By Thomas B. Edsall
and Dan Balz
Washington Post Service

WASHINGTON — The impeachment of President Bill Clinton has inflamed long-standing ideological divisions within the Republican Party, weakened the party's image among independent and swing voters and now threatens to inflict long-term political damage, according to analysts from both parties.

With some recent polls showing the party with a 2-to-1 unfavorable image, Republican strategists are far more worried now than they were 45 days ago about the impact of the impeachment process on the party's political health.

Many now fear that the hangover from the bitter, partisan battle will hurt Republican candidates in the 2000 elections, particularly races for the House and the Senate, unless there is a relatively quick, and harmonious, resolution in the Senate.

Republican strategists say the impeachment process threatens to stamp the Republicans as an anti-Clinton party that is devoid of positions on issues the vast majority of the public cares about.

"We're getting boxed into a very narrow box, which is an anti-Clinton box," said

Jan van Lohuizen, a Republican pollster. "The only way to get over it is to get over impeachment and start talking about issues. We have to have something to say other than Clinton is a bad guy, and right now we don't."

The Senate majority leader, Trent Lott, Republican of Mississippi, recognizing the potential dangers to his party's political future, worked hard last week to give the Senate proceedings an aura of bipartisanship. If that mood prevails, and if the Senate avoids a long trial, it could mitigate the damage already done, analysts said.

Until Mr. Lott's success in finding a bipartisan way to start the trial, the effort to impeach the president will continue to force the image of party leaders catering to conservative Republican activists at the expense of reaching out to moderate and independent voters who will be decisive in the major contested elections less than two years from now, these analysts added.

Whit Ayres, an Atlanta-based Republican pollster, said the impeachment issue has "tarnished the image of the Republican Party as the party that is against big, intrusive government," which for the past two decades has been fundamental to Republican political gains.

From last October through the beginning of this month, their view of their own party has become increasingly negative.

In October, these anti-impeachment Republicans had a favorable view of the party by a spread of 5 to 1. Today, that ratio stands at 1 to 1.

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Wellstone Backs Out of Race

WASHINGTON — Senator Paul Wellstone of Minnesota announced over the weekend that he would not seek the presidency in 2000, further shrinking the field of Democratic contenders.

Although Mr. Wellstone, 54, had been considered a long shot, and he viewed his candidacy as a low-budget crusade to press for liberal, populist causes, he drew enthusiastic responses from audiences in Iowa and other battleground states. He was the first Democrat to set up an exploratory committee and has been traveling the country seeking support since early 1997. He said he had intended to run but changed his mind because of severe back problems.

Lawmakers Debate Windfall

NEW YORK — Lawmakers are beginning to debate how to spend their biggest windfall in recent years: tens of billions of dollars from tobacco settlement deals.

While some elected officials are calling for the money to be spent on health care initiatives and anti-smoking campaigns, others are urging that it be used on projects unrelated to tobacco, including new schools or jails, and even sidewalk repair. Still others want to eliminate state debts or give taxpayer rebates.

Over the next 2 years, all 50 states and some cities will receive almost \$246 billion from cigarette producers as a result of the lawsuits brought against the tobacco industry to recover Medicaid money spent treating smoking-related illnesses. Tobacco companies have already passed along the cost of the settlement to smokers by raising prices.

Away From
Politics

• An 8-year-old who was a witness in a murder case was found shot to death, along with his mother, in their home in Bridgeport, Connecticut. (NYT)

• A New York state appeals court has again rejected a well-known psychology professor's \$1.5 million lawsuit challenging Cornell University's procedures in finding him guilty of sexual harassment. (NYT)

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THE WORLD'S DAILY NEWSPAPER

With Khmer Rouge Collapse, Pressure Grows to Rein In Army

By Michael Richardson
International Herald Tribune

PHNOM PENH — After the collapse of the Khmer Rouge as an effective guerrilla force and the formation of a new coalition government between previously warring political factions, the Cambodian armed forces are under increasing pressure to curb corruption and human rights abuses and to slim down and become more professional.

Foreign governments and international institutions that provide vital aid to Cambodia are urging the government to prevent such abuses, apply the rule of law and improve administration.

But some Cambodian and foreign analysts said they were concerned that years of fighting and lawlessness in many parts of the country, and the previously close political alliance between

the governing Cambodian People's Party of Prime Minister Hun Sen and key commanders of the security forces, have so entrenched the military in power that it will be very difficult to dislodge.

Moreover, many generals — there are several hundred in the army — and the senior officers under them have secured lucrative interests in illegal logging, smuggling and the protection of casinos and brothels, analysts said. Before reform can proceed, the analysts said, the military must integrate over the next three months thousands of former Khmer Rouge rebels, as well as government soldiers who sided with royalist commanders in the factional fighting of July 1997.

"The government must also be assured of tens of millions of dollars in foreign aid, so that when surplus troops are eventually demobilized they

can become farmers or urban workers — and not turn to crime for a living.

"If we can pacify the country, we can downsize the military, make the army more professional and reduce its role in politics," Kheu Kanharith, the government's spokesman, said in an interview. He said that the government planned to reduce the size of the armed forces, which officially have about 140,000 men, to between 30,000 and 40,000 troops by around 2005.

"Demobilization must go hand in hand with vocational training," he said. "Most of the soldiers are former farmers. Basically, all they need are housing and land. But some will want to be trained for nonfarm work."

Mr. Kanharith added that the government had asked the World Bank and the International Labor Organization to provide about \$40 million for voca-

tional training, housing and land costs, and an accelerated program to clear tens of thousands of landmines so more agricultural areas can be safely reopened.

"Because there was never sufficient money in the budget, the military was given logging concessions by the government," a foreign military analyst said. "But nearly all the money goes to the commanders, not the soldiers. That's why they resort to banditry or set up checkpoints on roads to exact illegal tolls."

He said that less than 10,000 of the troops in the army were adequately trained, while at least 30,000 were "phantom" soldiers, registered so that corrupt officers could pocket their pay of about \$10 a month.

"The armed forces, including the police and village militia, are among the worst violators of human rights," said Lao Mong Hay, executive director of the

Cambodian Institute of Democracy. International aid donors, including the World Bank, will meet with Cambodian officials in Tokyo next month to discuss reform and decide how much assistance Phnom Penh will get in 1999. Finance Minister Keat Chhon said last week that the government would request \$1.3 billion for a three-year program to bolster the economy.

In a move analysts said was intended to create a favorable atmosphere for that meeting, Mr. Hun Sen on Jan. 6 ordered an intensified crackdown on illegal logging, which is draining government coffers of urgently needed revenue and causing serious environmental damage.

"The armed forces must cooperate with the forestry authorities and other involved institutions and use all means, including weapons, in the crackdown operation," he said. "Even though the government has taken action against illegal logging, there are still some anarchic operations going on."

Mr. Hun Sen said the authorities would confiscate illegally sawed logs and logging equipment and file lawsuits against those responsible.

Kao Kim Hourn, executive director of the Cambodian Institute for Cooperation and Peace, said that the government had taken some steps toward reform but that he was worried there were "too many warlords" standing in the way of real progress. "They don't really respect orders from Phnom Penh," he said. "They have been able to generate a lot of money that has bought weapons and loyalty. This is a big problem for Cambodia."

Still, Mr. Hun Sen appears to be determined to seize the opportunity to assert Phnom Penh's control over the provinces and to revive flagging economic growth and investment, following the recent defection of two of the remaining three top Khmer Rouge leaders to the government side.

"This is perhaps the first time in Cambodia's history since the Second World War that the government is in a position to control the entire territory, without secessionist zones as in the past," Mr. Hun Sen noted recently. He said that as stability returns, the size of the armed forces must be reduced so that more money can be spent on health, education and social welfare.

Opposition Assails Mahathir's Choice

KUALA LUMPUR — Opposition leaders criticized Prime Minister Mahathir bin Mohamad over the weekend, saying his announcement of a successor was "a desperate exercise" to regain public confidence.

Late Friday, Mr. Mahathir named Abdullah Ahmad Badawi, 59, as deputy prime minister as well as home minister, a job that Malaysian prime ministers traditionally have held themselves. Mr. Mahathir fired his former deputy, Anwar Ibrahim, Sept. 2 amid allegations of sexual misconduct. (AP)

Arsenic Pollutes Bangladesh Wells

DHAKA, Bangladesh — Tests on 50,000 tube wells in Bangladesh — a source of water for most of the population — have shown that about 40 percent are too contaminated with arsenic to provide drinking water, a World Bank official said Sunday.

Babar Kabir, head of the bank's water and sanitation program, said a series of tests had confirmed the presence of arsenic beyond permissible levels in 40 percent of the tube wells in 200 villages in 22 districts. (Reuters)

4 Die in Aceh Raid

JAKARTA — Four people died after being beaten by security forces in the troubled province of Aceh in an unsuccessful raid to capture a rebel leader, Indonesian military and human-rights groups said Sunday.

Colonel Johnny Wahab, the military commander in Lhokseumawe, about 1,600 kilometers (1,000 miles) northwest of Jakarta, confirmed the deaths. Twenty people were reported injured. The rebel leader escaped. (Reuters)

Indian Leader Assails Church Burnings

In Gujarat, Vajpayee Calls for 'Exemplary Punishment' for Attacks

Compiled by Our Staff From Dispatches

AHWA, India — Prime Minister Atal Behari Vajpayee visited a violence-torn tribal area in the western state of Gujarat on Sunday and urged stiff punishment for those behind a series of attacks on the Christian minority.

"Exemplary punishment should be awarded to perpetrators of such crimes," Mr. Vajpayee said in Ahwa, a village where a Hindu group attacked a church last month.

Several social workers who met with Mr. Vajpayee sought a ban on religious conversions, which sometimes have led to Hindu-Muslim or Hindu-Christian riots.

"It is necessary to build a consensus that will be in the interest of all communities," Mr. Vajpayee said. He called for a debate on the conversions.

Nearly 82 percent of India's population is Hindu, with Muslims representing 12 percent and Christians and Sikhs about 2 percent each.

Most of the Christians live in four southern states, where such clashes have been rare for decades.

The recent clashes occurred mainly in Gujarat, where two small fundamentalist groups allied with the governing party attacked churches and schools run by Christian missionaries. They marked a violent end to a year that saw more than 60 cases

nationwide of church and Bible burnings, rape and

priests and nuns led by Bishop Godfrey, the highest-ranking prelate in Gujarat, met Mr. Vajpayee to recount tales of church burnings and stonings that went on for several days after Christmas. "India is secular, and in this country to target places of worship, whether a church or a temple, is not just a crime but also a step that will break the unity of this country," Mr. Vajpayee said.

Hindus in the impoverished Dangs tribal belt said a Christian group started the clashes by throwing stones at a Hindu rally on Christmas Day and that a few retaliatory attacks had been blown out of proportion.

Analysts said the attacks were politically motivated.

Mr. Vajpayee's rightist Hindu Bharatiya Janata Party rose to power on a blend of "Hindutva," or Hinduism, and moderation. Since the party's poor showings in three state elections in November, Mr. Vajpayee and the party's pragmatists have tried to tame the hard-line Hindu ideologues of the party's parent organization.

Mr. Vajpayee's arrival in the Dangs region came just after that of Sonia Gandhi, the opposition Congress Party leader, who visited Friday. (Reuters, AP)



E.M. Chaudhury/The Associated Press
A woman in Pakistan paying tribute Sunday to victims of mob attacks on Christian churches in India.

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BOOKS

THE SEARCH FOR THE GIANT SQUID
By Richard Ellis. 322 pages.
\$35. The Lyons Press.

Reviewed by Michael Dirda

THE giant squid has been known by many names — kraken, devil fish, Scylla, sea serpent, gigantic cuttlefish, Architeuthis. The beast itself is the stuff of nightmares: tentacles up to 60 feet long (or more), a six-inch parrotlike beak near the maw, chromatophores that allow the animal to change its skin coloring instantly, huge axons that transmit neurological messages "faster than any other creature," and lidless eyes the size of hubcaps, the largest in the animal kingdom. In folklore its monstrous tentacles (10 of them, unlike the eight of the octopus) snake out of the depths to drag unsuspecting sailors, even entire ships, to a watery doom. Actual sucker marks on the brows of sperm whales testify to great combats in the abyssal depths of the ocean. And though giant squid occasionally wash up dead on the beaches of Newfoundland, New Zealand and Norway, to this day nobody has ever seen one alive in the water. It remains one of the most mysterious, and haunting, of earth's creatures.

Richard Ellis is a marine painter and self-described cryptozoologist, that is a student of hidden or unknown animals. In 1995 he brought out "Monsters of the Sea," devoting chapters to sharks, whales, mermaids, squids, and strange blobs and globsters; last year he published "Imagining Atlantis," a survey of the lore and speculation surrounding the famous antediluvian world. Both these books deftly mingle mythology with either biology or history, resulting in high-grade intellectual entertainment. Ellis serves up, with equal relish, dispassionate scientific findings, the

fantasies of obsessed crackpots, episodes from half-forgotten sensation novels, and scenes out of B-grade movies.

He continues this successful formula in "The Search for the Giant Squid," a book that lists every known *Architeuthis* sighting and stranding, includes a chapter on the making of giant squid models for museums, and expounds in some detail the efforts to classify, understand and observe this elusive cephalopod. When he wants to, Ellis can make his science almost science fictional: "It is now assumed that the sperm whale captures its prey by emitting focused sound beams of such intensity that they can sun or even kill the prey," in particular the giant squid. Most of the battles between these Leviathans take place at depths where neither human nor human can see each other in the icy-cold blackness. Yet "the weight of giant squids eaten every year by sperm whales is greater than the weight of the entire human race." Astonishing. But the factual matter in the book has been vetted by the Smithsonian Institution's Clyde Roper, the world's leading authority on Architeuthis.

Still, say "giant squid" and few people will think of a carcass on a beach or the disgorge contents of a dead whale's stomach. Most of us will remember the thrilling scene in the 1954 movie "Twenty Thousand Leagues Under the Sea," when the crew of the Nautilus battles a ferocious monster squid in a hurricane, and Ned Land saves the life of Captain Nemo by driving a harpoon into the writhing nightmare's brain.

Ellis devotes a leisurely chapter to the giant squid in literature and film, touching on Tennyson's early poem "The Kraken," Ian Fleming's "Dr. No," Michael Crichton's "Sphere," Arthur C. Clarke's "The Deep Range," Annie Proulx's "The Shipping News," H.G. Wells' short story "The Sea Raiders,"

and Peter Benchley's "Beast."

In comparing "The Search for the Giant Squid" to the chapters on the beast in "Monsters of the Deep" I noticed that some of the more melodramatic steel engravings, paperback covers and movie stills had been left out of this book-length treatment. Was this an effort to emphasize sober science over garish folk belief? And was this why there was no allusion to the squid as an avatar of that favorite motif of pop psychology, the vagina dentata?

More generally, Ellis's easygoing prose suffers from needless repetitions — on page 150, for instance, we learn that certain species of squid "has an almost worldwide distribution" and on page 152 that the same animal is "worldwide in distribution."

So "The Search for the Giant Squid" could have been more tightly edited and a just a bit flashier. But Ellis is fun to read, knowledgeable and enthusiastic. Moreover, Lyons Press has produced a beautiful book, starting with its striking dust jacket (the author's own painting of a reddish giant squid with an enormous staring eye) and continuing with generous margins, thick paper and lots of drawings and photographs. More books should look this good.

This is the sort of volume — like the studies of exotic zoology by the late Willy Ley — that 14-year-olds daydream over, peering rapturously at the old engravings, imagining the spectacle of a giant squid locked in battle with a sperm whale. Of course, in the face of this sinuous monster of the id, even adults will tend to feel a little awestruck. As Tennyson wrote, "his ancient, dreamless, unawakened sleep / The Kraken sleepeth" — until that is, the Earth's last fiery days, when "once by man and angels to be seen / In roaring he shall rise."

Washington Post Service

BRIDGE

By Alan Truscott

AROUND the world, the number of bridge players has been growing steadily, but in North America the number is slipping. In the last two years the membership of the American Contract Bridge League has dropped by slightly more than 1 percent and is now slightly more than 166,000.

The recent Fall Nationals in Orlando, Florida, saw a larger drop: The attendance of 12,035 tables was down 20 percent from the same tournament six years ago.

The best defensive play reported during the tournament is perhaps the diagramed deal played during the Open

Board-a-Match Teams. Almost all South players reached one no-trump, usually by the auction shown, and the opening lead was a heart. The heart queen won the first trick and declarer led the club jack, for a finesse that lost to the queen.

The defense persevered with hearts; and after holding up the ace for one round, South led to the club king. East could not hold up, so the contract was made, almost always with an overtrick.

But at one table the play varied in a spectacular fashion. When Brian Gunnell of Jacksonville, Florida, held the East cards, he won the first club trick with the ace, not the queen. South naturally concluded that the club queen

was on his left, and took another club finesse after winning the third round of hearts.

Now South was cut off from the club winners in his hand.

East returned the spade jack, covered with the queen, king and ace. South cashed dummy's club king and led the spade nine. There were two possibilities now.

East could duck, scoring two

spade tricks when the suit was led again from dummy but having to lead diamonds in the ending.

Or South could win and return a spade, forcing dummy to lead a diamond.

The best South could do was to lead a low diamond, and take two diamond tricks at the finish.

Either way, South was held

to seven tricks, which was crucial playing board-a-match. Gunnell's coup won the board for his team.

NORTH

♦ A 88
♦ 887
♦ A 092
♦ K 74

WEST

♦ K 76
♦ K 1032

♦ K 18

♦ 653

SOUTH (D)

♦ Q 54
♦ A Q 5
♦ J 06
♦ J 10 8 2

EAST

♦ J 10 3 2
♦ J 6 4
♦ 7 5 4 3
♦ A Q

Both sides were vulnerable. The bidding:

South

West

North

East

Pass

1 0

Pass

PNT

Pass

Pass

West led the heart two.

South was on his left, and took another club finesse after winning the third round of hearts. Now South was cut off from the club winners in his hand.

East returned the spade jack, covered with the queen, king and ace. South cashed dummy's club king and led the spade nine. There were two possibilities now.

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INTERNATIONAL

Iraq Backs Off Voting On Challenge to West

Parliament Was Set to Reject UN Resolutions

By Douglas Jehl
New York Times Service

CAIRO — After more than a month of defiance, the Iraqi government inexplicably postponed a vote Sunday in which its Parliament had appeared ready to take further steps along a collision course with its Western foes.

Instead, Parliament issued only a mild statement critical of last month's American-led air strikes against Iraq, which had prompted calls within the legislature for measures that would have been a direct challenge to the United Nations.

No reason was given for the postponement, which came at the end of an extraordinary two-day meeting of the legislative body.

The Parliament is an instrument of the government of President Saddam Hussein, and it appeared that Baghdad had decided to skirt a further confrontation. Only hours before Sunday's vote, the majority of the 250-member Parliament had appeared ready to formally reject several of the UN resolutions that were imposed against Iraq at the end of the 1991 Gulf War.

Instead, Parliament adopted a resolution calling only for reparations to be paid for damages from last month's air strikes. Still, members of Parliament said consideration of tougher measures, including the possible repudiation of Iraq's border with Kuwait, could resume by the end of the month.

Until Sunday, the Iraqi reaction to the air strikes had followed an increasingly confrontational path. In the weeks since the attacks ended Dec. 19, the Iraqi government has challenged American warplanes and called on other Arabs in the region to rise up against governments aligned with the United States.

That has prompted renewed warnings

from the West, including a statement this past weekend by Prime Minister Tony Blair of Britain that warned of further military action if Iraq appeared once again to be threatening its neighbors.

Statements by members of the Iraqi Parliament had suggested a readiness to push matters even further, by reversing a 1994 vote in which Iraq recognized neighboring Kuwait within its current borders. It was Iraq's invasion of Kuwait in 1990 that triggered its the Gulf War and the continuing confrontation with the West.

But the resolution that the Parliament adopted Sunday made no mention of that and other confrontational proposals. It called only for Kuwait and Saudi Arabia, which have served as bases for Western military operations against Iraq, to pay reparations for the damages caused by the four-day attack.

The Parliament did reinforce the government's rejection of Western-imposed no-fly zones over the country. It said Iraq should continue its military opposition to the American and British aircraft that have been patrolling the zones over southern and northern Iraq.

By setting aside a more confrontational message, Iraq may have been trying to limit hostility from the Arab world. Since the air strikes ended, Iraqi frustration over a lack of Arab backing has been mounting, but it has been met mostly with disdain from governments like Egypt's.

More than at any time since the 1991 war, Arab governments are expressing outright hostility to the government of Mr. Saddam. But the Arab governments remain opposed to the air strikes.

Reports in several Saudi-owned newspapers Sunday said that the Riyadh government, the base for Western military operations against Iraq in 1991, was ready to press for an end to economic sanctions against Iraq as long as military pressure against Baghdad continues.

■ 2 Arab States Accuse Saddam

Saudi Arabia's official news agency on Sunday urged Iraqis to oust Mr. Saddam, a call echoed by the Egyptian foreign minister. The Associated Press reported from Jidda.

The Saudi Press Agency accused Mr. Saddam of killing and torturing thousands of Iraqis. Calling him the "Baghdad tyrant," the commentary said it is the Iraqi people who "need a revolution" to topple him.

In similar comments to be published Monday in a Berlin newspaper, Foreign Minister Amr Mousa of Egypt said Mr. Saddam was "shaming the entire Arab region through his politics." The Berliner Kurier quoted Mr. Mousa as saying that Mr. Saddam has caused "unceasing suffering to his people."

"Iraq is a rich country that has become poor under Saddam Hussein's regime," Mr. Mousa was quoted as saying. "We are of the opinion that he is no longer capable of being responsible for his country's politics."

He added, "Iraq needs a new government."

The biggest loser was former Defense Minister Charles Millon, who had been head of the regional parliament since 1988. But when he accepted support from the extreme-right National Front last spring to hang onto that post, the Union for French Democracy threw him out of the party.

After three days of political knife-fighting, back-stabbing, and maneuvering amid furious charges of betrayal, a centrist conservative was finally elected head of the Rhône-Alpes regional parliament in Lyon on Saturday, but only with support from Socialist members.

Anne-Marie Comparini, a member of Mayor Raymond Barre's Union for French Democracy and one of his deputies, won after a 37-hour marathon of bargaining that even Mr. Barre had described as "a disgusting spectacle."

The biggest loser was former Defense Minister Charles Millon, who had been head of the regional parliament since 1988. But when he accepted support from the extreme-right National Front last spring to hang onto that post, the Union for French Democracy threw him out of the party.

Participating with the National Front had been anathema to moderate rightists until last year, when the Socialists and other leftist parties whitewashed down the conservative vote in elections for regional assemblies.

These legislatures control millions in local spending on schools and public works, and many national leaders also sit in them.

The setback in the regions last March, less than a year after the defeat of a conservative government in Paris by the leftist coalition that put Prime Minister Lionel Jospin in power, threw the right into turmoil.

Three other mainstream conservative regional assembly leaders accepted support, as Mr. Millon did, from the National Front, which President Jacques Chirac denounced as racist and xenophobic for policies that call for expulsion of illegal immigrants.

Conservative leaders in Paris purged the apostates and formed a new umbrella campaign organization last spring called the Alliance.

It was a pretty shaky alliance. Its leader, Philippe Seguin, was furious at the deal with the left that brought Mrs. Comparini to power in Lyon this weekend. Mr. Seguin's party, the Rally for the Republic movement founded by Mr. Chirac, said, "Political confusion by nature weakens democracy and only serves the interests of extremists and their allies."

"I hope the Alliance has not broken up — let's say it's in seriously bad shape," a spokesman for Mr. Seguin. Francois Fillon, said in an interview with the conservative *Journal du Dimanche*. But his party and its leaders, he said, expected their partners to explain why they had accepted leftist support to win.

Francois Bayrou, head of the Union of French Democracy, congratulated Mrs. Comparini on her victory and said that while left and right would mostly keep going their separate ways, the vote had shown that they could meet to defend essential French republican values against extremism if necessary.

Mr. Millon, who has started a party of his own called The Right, demanded new regional elections and said that he was sure the right, whatever that might now be, could win them. "The Alliance has blown up in mid-air," he told French radio.

threat was unfounded, but some officials believe the inquiry was botched, and the agency's inspector-general is investigating how it was handled.

State Department officials brushed aside General Anthony Zinni, commander of the U.S. Central Command, who had visited Nairobi on his own and warned that the embassy there was an easy and tempting target for terrorists. General Zinni's offer to send his own specialists to review security in Nairobi was turned down by the State Department.

The State Department had all but abandoned the commitment it made after the 1983 bombing of the Beirut embassy to improve embassy security. Department officials had long since stopped asking Congress for the money needed to meet its own standards, and had adopted a strategy of improving the handful of embassies it believed were at greatest risk. Nairobi was not one of them.

Ms. Bushnell, in a rare interview about the bombing, said by phone from Nairobi on Friday: "This is a tragedy in the real sense of the word, and it's a tragedy that has caused us to think differently. We no longer operate under the assumptions that



A Yugoslav Army convoy heading Sunday toward a village near Podujevo, in northern Kosovo. (AP Photo/Marko Djurica)

KOSOVO: Rebels Won't Free Soldiers Without Prisoner Exchange

Continued from Page 1

Slobodan Milosevic, and he was due to visit Kosovo on Tuesday.

And Chris Hill, the U.S. mediator for Kosovo, was in Pristina to continue seeking a solution to bolster the October truce, which has been severely strained by the latest bout of violence. So far, his attempts have brought no tangible result.

Despite the growing tensions and vi-

olence, many Kosovo watchers said the situation was unlikely to return to an all-out war, at least for the time being.

During the crackdown last year by Yugoslav forces against separatist guerrillas, as many as 2,000 people were killed and 250,000 were made refugees. Ninety percent of the population of Kosovo are ethnic Albanians.

(AP, Reuters)

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Under the Senate plan, either side would have to make a case for any witness it wanted to call. If 51 senators approved the request, the witness would have to give depositions to lawyers for both sides. Senators would review written transcripts of the deposition before voting whether to hear the witness in person, either in open or closed session.

"If the House says that it is essential to hear witnesses," asserted Senator Orrin Hatch of Utah, chairman of the Judiciary Committee, "it's going to be pretty hard for senators to vote against that."

With a 55-to-45 Republican majority in the Senate, it appeared likely that at least some witnesses would be approved, though probably fewer than the House "managers" want.

One of those managers, Representative Asa Hutchinson, Republican of Arkansas, said he had hoped that 10 to 14 witnesses could be called, but added, "That's not going to happen now. I would say it would not be more than half a dozen."

Those, he said, would probably include Ms. Lewinsky, the Clinton confidante Vernon Jordan Jr., and the president's secretary, Betty Currie. Another possible witness, he said, was Judge Susan Webber Wright, the federal judge who presided over the Paula Jones sexual harassment case against Mr. Clinton.

Dragan Gagovic as he appeared on a NATO list of war-crimes suspects. (AP Photo/Marko Djurica)

France has long-standing ties to the officers to testify.

BEAUTY: Aspiring to 'Big Nose' Look in West, Chinese Submit to Surgeons' Knives

Continued from Page 1

Andrew Wong/Reuters

BRIGHT LIGHTS, BIG CITY — A young boy taking in the neon signs outside a shopping center in Beijing on Sunday. Inside is a movie studio with three Hollywood sets.

EMBASSIES: Security Pleas From U.S. Ambassador in Kenya Went Unheeded at the State Department

Continued from Page 1

we did in the past." A report made public Friday by a commission appointed by Mrs. Albright excoriated the State Department for failing to safeguard American missions against terrorist attacks, particularly for the practice of giving vulnerable missions like the one in Nairobi lower priority when experienced showmen they make tempting targets for terrorists.

But the report, signed by Admiral William Crowe, former chairman of the Joint Chiefs of Staff, concluded that "intelligence provided no immediate tactical warning of the Aug. 7 attacks."

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visitor. "We just want them a little higher, a little more expressive."

At the Plastic Surgery Hospital, a nose job costs \$300 — a month's earnings for a middle-class urban resident.

Dr. Zhou offers a book full of before-and-after photographs showcasing his handiwork. A part-time poet, the avuncular doctor has illustrated the photographs with euphony: "Peasant brother becomes film star," accompanies one man's mug shot after a small, flat nose was given a bridge and elongated noticeably. "Ugly duckling into a white swan" goes with a woman in her early 30s whose post-operation shot shows her decked out like a temptress in the Arabian Nights.

"Ooo-ooo," Dr. Zhou mimics (Chinese for "hubba-hubba").

Most of Dr. Zhou's patients initially were actors and actresses. Indeed, according to Song Yeguang, president of the Chinese Plastic Surgery Society, before 1978 actors and actresses were the only ones who were allowed to have plastic surgery, and then only after a long permission process. Since 1978, however, plastic surgery has been open to the masses.

Exchanges with U.S. doctors began in 1982, and Chinese surgeons began to refine themselves in the surgery's techniques.

"In the beginning we didn't even know how to pierce ears for earrings," Dr. Song said. Now private plastic surgery hospitals are sprouting up in richer Chinese cities. Hainan Island in southern China boasts one called the Dreaming Girls Fantasy, a 12,000-square-meter establishment staffed with doctors "trained in plastic arts from Brazil," one advertisement said.

After eyelids and noses in popularity come breast implants, although Dr. Song said interest has been tapering off because of concerns about the safety of silicone.

That, in turn, has spawned a market of breast implants.

The pages of Chinese women's magazines are sprinkled with advertisements for products designed to enhance breast size. One product, sold in a company that used to make handguns in the western city of Xian, promises bigger breasts through the chest with a powerful shock. Another item hawked by the factory guarantees such through suction cups.

Back home a few weeks later, Miss Lang said she was happy with her new nose. It was worth a month's salary, she said. "No, I don't have a boyfriend yet," she said in a phone interview. "I feel more optimistic now. It's a new beginning."

While none of the terrorist threats investigated by the CIA panned out, they focused Ms. Bushnell's attention on just how vulnerable her embassy was.

By the mid-1990s, the global investigation touched off by the 1993 World Trade Center bombing had focused on Mr. bin Laden and his associates. FBI agents from New York were hard at work building a criminal case against the Saudi exile. At the same time, the CIA was tracking the group's movements and finances in hopes of preventing attacks.

One trail led to Kenya where the agency discovered that Mr. bin Laden's operatives were living in the country. Intelligence officials say they briefed Ms. Bushnell about the presence of the group in early 1997 but told her there was no evidence of a specific threat against the embassy or American interests in Kenya.

In the summer of 1997, American intelligence officials began to look more closely at what Mr. bin Laden was doing in Africa. The CIA identified an intriguing suspect: Wadih Hage, a Lebanese-born American citizen in Kenya who was believed to have close ties to the leadership of Mr. bin Laden's group.

American officials prodded their Kenyan counterparts to raid Mr. Hage's home in Nairobi, an overture that was shared with Ms. Bushnell and others in the embassy.

Kenyan police, accompanied by the CIA and FBI, searched the house in August 1997. They found his computer, downloaded its files, and read a letter describing the existence of an "East African cell" of Mr. bin Laden's group.

The author of the letter mentioned recent attempts by American intelligence to investigate the group's Kenyan operations and alluded to its role in attacking American soldiers in Somalia a few years earlier. According to the document, the group had moved incriminating files from Mr. Hage's house and hidden them elsewhere.

That reference set off alarm bells.

American officials suspected that the missing files might contain evidence of a coming attack by Mr. bin Laden's Kenyan operatives.

The working theory, officials said, was that such a plot would be aimed at another country, with Nairobi used as a "jumping-off point."

A law enforcement official said American investigators began a "some what frantic, concerted effort" to locate the missing files.

LINTON:
ial Outlines
Continued from Page 1

EUROPE

As Scandals Rise, Blair Urges Focus on Policy

By Tom Buerkle
International Herald Tribune

LONDON — Seeking to end a string of resignations and infighting that has marked his government's worst weeks in office, Prime Minister Tony Blair dismissed talk of cabinet rifts Sunday and vowed to keep his sights focused on the "big picture" of stable economic growth, education and welfare reform and constitutional change.

But Mr. Blair's attempt to emphasize policies rather than personalities was undermined by a damaging portrayal of Foreign Secretary Robin Cook as a hard-drinking womanizer in a book by his former wife and allegations of a potential conflict of interest involving Gordon Brown, the chancellor of the Exchequer.

The latest disclosures coincided with the first significant signs of erosion in the popularity of Mr. Blair's government. A poll made public last week showed that the Labour Party's approval rating had fallen be-

low 50 percent for the first time since the general election in May 1997.

The difficulties amount to a serious political headache for the prime minister as he begins a particularly difficult year. An economic slowdown threatens to derail the government's plans to raise spending on education and health care, the successful inauguration of the euro has put Mr. Blair on the defensive over his wait-and-see attitude toward joining monetary union, and Labour faces the prospect of significant losses in a series of elections this spring.

Under the heading "Rotten Robin," The Sunday Times published extracts from a new book by Margaret Cook in which she said that the foreign secretary had a string of affairs during their 28-year marriage, drank heavily and felt he had "sold his soul to the devil" by abandoning his left-wing principles to support Mr. Blair.

It was a particularly bitter attack from a woman who was dumped by her husband, while the two were preparing to leave Heathrow Airport on

vacation in August 1997, after Mr. Blair's press secretary warned Mr. Cook that the press was about to disclose his affair with his secretary, whom he later married.

The opposition Conservative Party called Sunday for Mr. Cook to resign or be fired, saying that the allegations came on top of a "disastrous" record, including diplomatic incidents with India and Israel and a scandal over the sale of British arms to Sierra Leone. But Mr. Blair insisted he had "every confidence in Robin Cook, who is doing a superb job." In a BBC television interview Sunday, he also appealed for the media and the public to focus on issues.

"Judge us on the things that are important," he said. "We can either go through the personal lives of all cabinet ministers and pick them apart, or we can decide that the government should be judged on the policies it has made."

The problem for Mr. Blair is that either way, the government faces a difficult challenge.

On a personal level, the prime minister's standing remains shaken by the resignation Dec. 23 of Peter Mandelson, his closest adviser and the trade secretary, for failing to disclose a loan from a cabinet colleague whose finances were under investigation by Mr. Mandelson's department.

The disclosure forced the resignation of the colleague, Geoffrey Robinson, the paymaster general, and of Charlie Whelan, the spokesman for Mr. Brown and the man who was said to have leaked details of the loan. It also revived speculation about rivalry between Mr. Blair and Mr. Brown stemming from the 1994 contest for the leadership of the Labour Party.

Fresh allegations related to Mr. Brown appeared destined to keep the intrigue alive. The Conservatives demanded a fresh inquiry into Mr. Robinson's influence after a newspaper reported that a magazine he owned, New Statesman, had paid more than £100,000 (\$164,000) to a public relations firm run by Mr. Brown's girlfriend, Sarah Macaulay.



Robin Cook with his wife, Gaynor Regan, formerly his secretary. A new book by Mr. Cook's former wife, Margaret, attacks him.

Poland Drafts Camps Law

Agence France-Presse
JERUSALEM — President Aleksander Kwasniewski of Poland met with Israeli leaders Sunday and promised quick action to "protect" the Auschwitz-Birkenau concentration camp site, where Roman Catholics have erected crosses and a church, infuriating Jews.

During a visit to Yad Vashem museum and a memorial to the six million Jews killed in the Holocaust, Mr. Kwasniewski said he would show Israeli leaders draft legislation protecting the Auschwitz-Birkenau complex and similar sites of "martyrdom and remembrance."

"I expect this problem will be discussed and decided on by the Polish Parliament, which will discuss a special law — how to protect such places — in the next months," he said.

Mr. Kwasniewski did not provide details of the draft law, but last month Prime Minister Jerzy Buzek of Poland promised that dozens of crosses planted outside Auschwitz would be removed. However, the prime minister said that a large crucifix the Pope used at a 1979 open-air Mass at Auschwitz, around which the other crosses have been placed, would remain.

European Commission Faces Censure Vote on Graft

By Barry James
International Herald Tribune

BRUSSELS — Fresh from its success in masterminding the inauguration of a single currency for 11 nations, the European Union's executive body, the European Commission, faces a motion of censure by the European Parliament this week over allegations of graft and mismanagement.

If the vote goes against them, the 20 commissioners would be required to step down or accept a caretaker status.

That possibility is remote, officials of the Commission and the Parliament said, but nevertheless an unexpected head of steam has built up over the allegations, which have been simmering for months.

The president of the Commission, Jacques Santer, last week acknowledged cases of mismanagement, but he defended both himself and fellow commissioners against suggestions of dishonesty.

"We have had difficulties with our management," he said. "We are trying to overcome them. But to call into question a global and indiscriminate way the whole working of the Commission, that's just intolerable."

Seven commissioners, including Mr. Santer, face unsubstantiated allegations in Parliament that they abetted or covered up the misuse of funds. Internal investigations have uncovered no in-

cidents of fraud involving commissioners, although several cases involving lower-level officials have been placed in the hands of the Belgian and Luxembourg judicial authorities. Those cases mostly refer to actions carried out during the previous commission, which was headed by Jacques Delors.

Mr. Santer and Eriki Liikanen, the Finnish commissioner in charge of the budget and administration, both rejected charges they had diverted EU contracts to their wives.

Last year the European Court of Auditors criticized the Commission's handling of the 85 billion euro (\$99 billion) EU budget. In December the Parliament refused to accept the EU's 1996 accounts, setting in motion the current crisis. The Commission then suspended at half-pay a 41-year auditor, Paul van Buitenen, after he took accusations of fraud to the parliamentary Green Party, with which he is affiliated.

Mr. van Buitenen has acquired the aim of a heroic whistleblower in some circles. However, Mr. Santer said that not only was there nothing new in his allegations but they also had compromised cases that are before the courts. Mr. Santer said he was justified in suspending Mr. van Buitenen because he had

gone outside the proper channels.

Paradoxically, the censure motion, scheduled for a vote in Strasbourg on Thursday, has been brought by the leadership of the Socialist Group not in order to destroy the Commission but to save it. The group is the largest in the Parliament, with 214 of the 630 seats.

The Parliament's procedures do not allow the possibility of a confidence vote. The Socialist leadership is using the blunderbuss method of calling a censure motion as a substitute for a vote of confidence. In effect, the motion calls on critics in the Parliament — including some German Socialists, plus a mix of Greens, Belgian and Dutch Liberals, Christian Democrats, British conservatives and far-rightists — either to put up or shut up.

The Commission is a favorite whipping boy for EU skeptics, and the uproar has clearly given many members of Parliament an opportunity to raise their profile before elections to the assembly in June.

Anyone looking for a conspiracy theory would have no difficulty finding one here. Many in Europe would like to reduce the powers of the Commission, which is responsible for initiating, supervising and implementing com-

munity legislation. The 20 commissioners and their staff swear loyalty to the EU, pledging not to seek or take instructions from any national government. This goes against the inclinations of those who would like to turn the EU into an intergovernmental rather than a supranational organization.

The Commission is seen as the defender of the interests of small countries, which sometimes brings it into conflict with the aims of the big powers. This appears to be the case now with Germany, which is determined to achieve a big reduction of its net contribution to the EU budget, some 11 billion euros in 1998. Spain sees the Commission as an ally in its determination to defend the agricultural support it receives from the EU. The Commission will seek clarifications from German officials on Monday during a meeting in connection with Germany's six-month presidency of the EU.

To unseat the Commission, the Parliament would require a quorum of three-quarters of its members, and two-thirds of those voting would have to be in favor of the motion. Such a majority is unlikely, but nevertheless a substantial vote against the Commission could weaken it at a critical time, when the EU is engaged in a fundamental debate about its financing and its enlargement to include up to 10 new members in eastern and central Europe plus Cyprus.

BRIEFLY

Chechnya to Adopt Islamic Framework

MOSCOW — The breakaway Republic of Chechnya intends to adopt a new, Islamic constitution, a Russian news agency reported Sunday.

Appearing on Chechen state television Saturday, President Aslan Maskhadov mapped out his plans to adopt a new constitution based on the Koran, the Muslim holy book. Already, Chechnya considers itself to be an Islamic republic and relies on Islamic law.

Mr. Maskhadov said the changes would take place within three years, after which the government would hold presidential and parliamentary elections. (AP)

Bulgarian Party Attacks Reforms

SOFIA — Two years after the start of riots that ultimately knocked them from power, leaders of the ex-Communist Socialist Party denounced Bulgaria's reforms Sunday and urged the pro-Western government's ouster.

The Socialist leader, Georgi Parvanov, appealed for backing from 7,000 mainly elderly supporters at a rally in Sofia's central Aleksandar Nevski Square.

But with Prime Minister Ivan Kostov enjoying a strong majority in Parliament, the comments were seen more as a public appeal linked to this year's local elections. (AP)

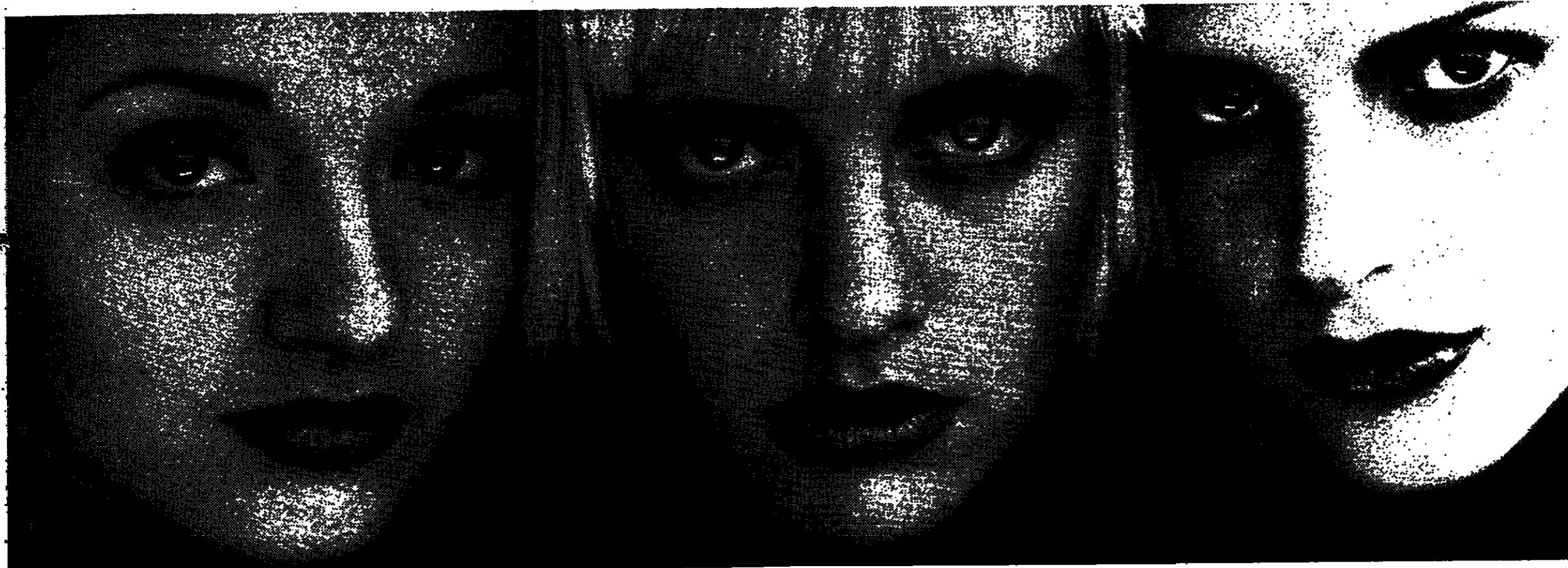
Santer Says Kohl Could Be Successor

BERLIN — Jacques Santer, president of the European Commission, named former Chancellor Helmut Kohl as his possible successor during a weekend radio interview.

Mr. Santer, whose term ends Jan. 6, 2000, told Inforadio Berlin Brandenburg that Mr. Kohl's long history as a statesman had earned him such a position. "He would be ideal," Mr. Santer, of Luxembourg, said Saturday.

Mr. Kohl lost elections in September after 16 years as German chancellor. During his period in office, he oversaw the reunification of East Germany with the West and was a main force behind the Jan. 1 launch of the euro. (AP)

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INTERNATIONAL Herald Tribune

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Indonesia's Troubles

Since the dramatic fall from power last May of President Suharto of Indonesia, things have not been going smoothly for the world's fourth most populous nation. Just in the past few days, some of the worst violence of the year has raked Aceh, a separatist-minded province of Sumatra 1,600 kilometers northwest of the capital of Jakarta. At least eight soldiers and 17 civilians have been killed, and many more injured, in riots and a subsequent crackdown. The violence is a sign of the deep trouble Indonesia still faces, even as other Asian nations begin to see glimmers of possible recovery.

Elections have been scheduled for June, and Indonesians across the spectrum agree they should take place after more than three decades of authoritarian rule. But no one should be lulled into believing that elections alone can solve Indonesia's troubles, even if the vote is free and fair — a big if. Mr. Suharto's rule inflicted too much damage on civil and political institutions to expect instant recovery.

The damage is evident now in the gruesome violence taking place between Muslim against Christian, Javanese against Chinese, ethnic groups against each other. Neither the armed forces nor the police command enough respect to effectively defend law and

order. Separatist movements gain in several regions and islands. Economic conditions remain dismal, with more and more children forced to drop out of school.

To all of this, the transitional government of President B. J. Habibie has offered few answers. Evidence that Mr. Habibie is mostly interested in preserving Mr. Suharto's authoritarian structures without Mr. Suharto has engendered suspicion in many quarters. Indonesians are much freer to express themselves and form political parties now than a year ago. But the Habibie government has shown far too little commitment to uncovering and punishing corruption and military abuses. Without such an effort, peace will be impossible.

The ability of the United States or any other outsider to help Indonesia in its time of trouble is limited. Budget-cutting forced the State Department in 1996 to close its only consulate on the northern island of Sumatra. Still, the United States can provide humanitarian aid, help for newborn civic organizations and technical assistance for the coming election. And it can do more to make clear it considers Indonesia's efforts to democratize vitally important, as in fact they are.

—THE WASHINGTON POST.

Insecure U.S. Embassies

The bombs that killed 258 people at the U.S. embassies in Kenya and Tanzania last August also destroyed any lingering illusions about the protection that America offers its diplomats and their employees overseas. The dismal state of security was deplored again Friday by two State Department commissions that investigated the August attacks.

They found that Washington has neglected embassy security for decades. The administration and Congress should carry out many of the report's recommendations.

The investigations were supervised by William Crowe, who has served as chairman of the Joint Chiefs of Staff and as ambassador to Britain. His two groups issued a joint report, which concluded that while security measures at both embassies followed State Department policy, that policy was deficient. Although guidelines required most buildings to have perimeter defenses 100 feet (30 meters) away, the two embassies were exempt, as were other older buildings. The report criticizes the government for complacency about security in the absence of specific terrorist threats.

—THE NEW YORK TIMES.

The Senate Way

The unanimous vote by which the Senate adopted a procedural outline for the president's impeachment trial was a heartening development. Finally, the politics and the merits of the issue may be coinciding in a way that will produce a credible result.

Senate Republicans are under pressure from conservative groups to make the trial as punishing and weakening for the president as they can. If they lack the votes to remove him from office, perhaps they can shame him into resignation. The national opinion polls that show the general public opposed to his removal by margins of roughly 2 to 1 don't matter to them.

But the polls do matter to the senators, who have to forage for votes among the public at large, and to the Republican leadership, which is eager to retain its majority in the next election. The pressures on the senators are thus contradictory — more so than they may have been on many House members answerable to narrower constituencies. If the result, however, is to lead the senators themselves to adopt a mixed position — to treat and judge the president's conduct with the contempt it deserves without in the end removing him from office — then the balance will have been about right.

That seems to be what is happening to the Republicans. It's not such a bad thing. We continue to believe that censure is the best of the bad options Mr. Clinton has left the country. At some point in the process he should be led to acknowledge he has not had that massive living such as his has a bearing on the fitness of an elected official to serve.

Most Democrats have already come

to censure, but from the opposite direction. They too are subject to contradictory pressures, with beneficial effect. As of now, at least, they appear prepared to protect the president if the Republicans seek to drive him from office, but not as reflexively as did too many in the House. They want to limit the proceedings, but in the end they, too, need a way to separate themselves from a leader whose contempt for the rules that he himself is willing to apply to others has put them in a position of defending what most of them abhor.

As so often in the Senate, complicated matters such as these tend to be fought out in terms of procedure rather than substance. Democrats and some Republicans wanted to hear the House managers lay out the charges and the president's lawyers lay out the defense, then hold a test vote on whether the Senate was prepared to remove him from office even if all the charges could be shown to be true. If not, their plan was to cut short the trial as futile, and begin debating censure. The managers and other Republicans wanted a guarantee of a full trial, including the calling of witnesses.

What the Senate unanimously agreed to do was to decide neither of these things in advance. It will bear the opening statements; then motions will be in order to adjourn or otherwise limit the proceedings and to hear particular witnesses. Possibly there will be fights then, but the idea is to see how it goes. That's not bad. What we are spared, at least for now, is the partisanship on the part of both parties that cheapened the proceedings in the House.

—THE WASHINGTON POST.

In Europe, Japan Seeks an Economic Counterweight

By William Pfaff

PARIS — There is a neglected political dimension to Japan's new effort to convince Americans and Europeans that a stable exchange system should be invented for the dollar, euro and yen. The German and French governments are sympathetic to the idea, but Americans are dismissive.

Prime Minister Keizo Obuchi of Japan currently is in Western Europe, officially to acquaint himself with the new leaders of Germany, France and Italy, but indirectly concerned with enlisting their support for a reform of today's floating currency rates.

This initiative is inspired by the double shock felt in Tokyo at the success of the new European single currency, the euro, which began trading Jan. 4. The Japanese had not anticipated the implications of Europe's introduction of a new currency, serving a group of 11 nations nearly as strong in aggregate GNP as the United States, and sounder in terms of reserves and trade deficit (it has none, compared with the more than trillion-dollar U.S. foreign deficit).

The Japanese had taken for granted that the dollar was irreplaceable as the currency of international exchange. For 50 years they had not considered the possibility that the international economy could be denominated in anything except dollars, or world trade — even their own trade — could be conducted in any other currency.

Their second shock was to realize that the yen was now in danger of being crowded off the international stage by the dollar-euro duo, with concomitant damage to Japan's international standing and world influence. The yen might even be challenged in what until now has been generally regarded as a "yen zone" in Asia — even though Japan alone produces two-thirds of Asia's entire GNP.

These shocks produced a sharp change in Japanese thinking. One result was Mr. Obuchi's trip to France, Germany and Italy. According to officials in the prime minister's entourage, his message to the Europeans has been the following: Japan wants to work with Europe; Japan is a reliable partner for Europe; Japan has already taken on four times as large a financial role in dealing with the Asian economic crisis as the United States; and Asia itself needs European-Japanese cooperation. The French and Germans have been reminded that their banks have a much bigger and more dangerous exposure in Asian markets than American banks.

The music accompanying the message is that unless the Europeans hang together with Japan, the United States will dominate them both.

The Japanese remind Europeans that when Tokyo a year and a half ago proposed an Asian IMF to deal with the Asian crisis, and offered \$50 billion in short-term support while promising an

other \$50 billion in medium and long-term investment, the idea was quashed by Washington, which would not accept competition to the Washington-dominated IMF.

They add that IMF remedies may have done more harm than good.

Some Japanese also remark to Europeans that while "your friend across the Atlantic" opposes bringing developing countries into international deliberations on the world economy, Japan favors it, and also privileges the social dimension of the Asian crisis in its aid to Japan's neighbors; it is not merely bailing out its own investors.

This change is an important development that Washington and the Europeans would be wise to ignore. The latter have until now paid relatively little attention to postwar Japan. (The Japanese have not forgotten President de Gaulle's condescending reference during the 1960s to Japan's prime minister as "a transistor salesman.")

Washington has for years lectured Tokyo about how to reform the Japanese economy, meanwhile taking for granted that Japan would supply a disproportionate share of international aid and support for American security initiatives, while patiently funding the U.S. deficit. The Japanese have assumed that they had to comply. Now they seem to be thinking again.

They politely say that theirs is not an anti-American message, even though

some might think otherwise. They say they merely want international equilibrium. They mention in passing that the United Nations Security Council no longer is representative of international realities, while assuring the Europeans, equally politely, that they are not questioning Europe's two permanent places on the Security Council, and its two votes (while Japan has neither).

The Japanese, in short, have been awakened from a long political apathy imposed by their conviction that they have had no alternative to the international role they play, demeaning as it sometimes has seemed — although in their present economic circumstances they are in a poor position to challenge anyone, least of all the United States.

(They tell their European interlocutors that Japan's economy will resume growth next year, and that they are "determined" to recover by 2001.)

What the European governments will make of this message from Tokyo cannot yet be known. Its appeal for an implicit alliance against the United States will certainly find some response, but also provides the Europeans with a troubling complication in an increasingly difficult trans-Atlantic relationship. What seems most interesting is that Japan, docile for so long, should be making such an appeal, discreet as it is.

International Herald Tribune.

Los Angeles Times Syndicate.

Whatever It Takes, Sweep Away the Clinton Mess

By Thomas L. Friedman

WASHINGTON — Say, I've been away for the past four months writing a book. Has anything happened while I was gone?

Seriously, though, I am resuming my column, and precisely because I have been gone I want to make up for lost time and dive right into things with a proposal: I am demanding the impeachment of George W. Bush, the governor of Texas.

I know, I know. He hasn't even been made the Republican nominee yet, let alone been elected president, but I want to get a head start on things. So let the record show, you read it here first: Impeach George W. now.

Why not? Representative Bob Barr, that favorite speaker of white supremacists, and his colleagues have been calling for Bill Clinton's impeachment ever since they laid eyes on him. Well, I just laid eyes on George W. and I don't like his looks.

I don't like his voice. I don't like his past carousing. And I don't like his suggestion that

only Christians get to go to Heaven.

I want him out, and I want him out before he is even in. I want him out before he even thinks of being in. I want him impeached at his inauguration. It will save time and money, since the House and Senate will already be on board, and so will Chief Justice William Rehnquist.

Imagine the drama on the Capitol steps when the chief justice asks George W. to raise his right hand, and he thinks it is to take the oath of office, but instead Justice Rehnquist says to him: "Do you swear to tell the truth, the whole truth and nothing but the truth, so help you God?"

Well, you get the point. First

Mr. Clinton demeaned the presidency with his reckless affair with an underwear-flashing intern, and now the House Republicans have matched him with a reckless bill of impeachment over something that does

not come close to a high crime against the constitution.

Mr. Clinton and the Republicans are now even. He disgraced the presidency and they have disgraced the constitution. But they both need to be stopped before they do any more damage to America's sacred institutions.

I favor censure not because it is the most just and moral way to bring this case to a close, but because it is the fastest. I judge every proposal for ending this sordid affair now by one criterion and one criterion alone — miles per hour. How quickly will it end this pathetic episode and take it out of the hands of Clinton sissymeters and Dennis Hezbolash?

The idea that justice can still

be done in this case is ludicrous. You tell me where you will find justice in the case of a president who demeans his family, his party and his agenda by having an affair in the Oval Office, and

is then offered up for impeachment by a Republican prosecutor after he can't find anything other than sexual fibs to justify his three-year investigation into a 20-year-old land deal?

Justice? You tell me where you are going to find justice between a president who could not even make a proper apology to the American people for filing the Oval Office and a Republican Party that stands for so little today that it has gone from the Contract With America to the Contract on Bill Clinton.

When a process so serious — impeachment — gets hijacked by people so venomous, justice can never be an outcome, it can only be a victim.

Mr. Clinton made the Republicans crazy, and it is easy to see why: He took all their good stuff — welfare reform, balanced budget and defense spending. I'd be crazy too.

How appropriate that House Republicans chose the unknown Dennis Hastert to be their next speaker — the party with no

agenda led by the politician with no profile. A blank man for a blank slate. Perfect!

The Clinton-Republitan death struggle is the political equivalent of the Iran-Iraq war. You just wish both sides could lose. It is like everything else between the White House and Republicans today — a war over who wins.

And that is why what matters is not how it ends but how quickly it ends. Because the sooner they stop fighting over nothing and start dealing with something, like the nation's business, the better the chance that the people might still win.

Justice? Oh, I'm sorry, it's all sold out this season. Between Bill Clinton, Ken Starr and Bob Barr, I long ago gave up looking for justice. Now I pray only for damage control. When there is no one to root for, all you can root for is "The End." The only way you get justice with a crowd like this is not with the courts or with the constitution. It is with a broom.

The New York Times.

Looking Into the Future: Smart Shirts and Cloned Hearts

By Richard Reeves

NEW YORK — I have seen the future and it is personal. Or "personalized." Or, it will be a time of "inside-out solutions."

Those were the buzzwords this year at Renaissance Weekend, the gathering of hundreds of accomplished men and women from walks of life as separate as church and state. The most interesting of those walks and talks, as usual, were science, technology and medicine.

"Personalized" was the word favored by Oren Etzioni of the University of Washington, an authority on artificial intelligence. He talked about each of us having an "intelligent agent," that is, an almost invisible friend living, probably, in cellular phones — something like a cross between

"Or, you can ask a pretzel bag. Are you fresh?" said Bill Cheswick of Bell Labs. He was not kidding. Computer chips will be the size of big gnats. "There are computers in hotel doorbells right now. Next you'll be talking light bulbs and shirts."

Mr. Cheswick did not tell us

about, but they'll think of something.

The implications of all that are many and enormous, but Mr. Etzioni focused on shopping.

"It will be the end of fixed prices and of branding," he said. That shook me because "branding" was one of last year's buzzwords. The idea was that with so many products out there, people would gravitate to names they trusted, from NBC to The New York Times, or from Sony to Nike.

No more. Mr. Etzioni said

your intelligent agent would know everything about you including shoe size, foot shape and personal quirks would be a shopper with infinite time and patience, even as it worked almost instantaneously

everywhere in the world (or on the Web) to find you or me the perfect shoe at the best price; probably negotiable, in, say, Frankfurt. Sorry, Nike. Forget the swoosh, close the stores.

Driving that point home, so to speak, Ted Godinger, president of Storage Computer, added this: "If I had a friend who owned a new car dealership, I'd tell him to sell it now. People will buy cars at GM Virtual Reality Centers."

At such centers, he said, a customer would design the car himself, getting the feel of more or less power, steering wheel size or turning radius, make personal choices and wait for "his" car to arrive a week later with his name embossed on the dashboard.

On future medicine, Ian Hunter, a microbiotics professor at MIT, talked about a most personal, inside-out health care system, your own "virtual body." At birth, a "body" would be created from each person's genetic data and as life went on, basic medical examinations would be comparisons between the real you and the projected you of the virtual body. Any differences between the model and the real you would be the first indicator of

medical problems.

On the subject of the personal, John Agle, the founder of Boston Scientific Corp., which makes what others dream about, said he had been looking at proposals to produce clones of Michael Jordan's heart — presumably the basketball star has a good one — and the plans were not a question of science anymore but were a business proposition.

The question was: not whether it could be done but how much would it cost and how much could be charged consumers or their intelligent agents.

Finally, when it came to the real environment, Larry Gershman, a Princeton physicist, seemed almost amused by the daily debate on weather, saying, "In the short term anything can happen, but whatever does, 100 years from now it is going to be a lot hotter than it is now."

So, this is not pie or heart in the sky; this is where we are. Science is moving and changing so fast now that John Cramer, a University of Washington physicist, who certainly spoke for me, said the only thing we can be certain of is "everything we know is wrong."

Universal Press Syndicate.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1899: Likely Clash

WASHINGTON, Tuesday. — Rather discouraging advice concerning the situation in the Philippines were discussed by the Cabinet. There is some talk of evidence of Aguinaldo being inspired by some other foreign power, presumably Germany.

The feeling is strong that a clash is likely. The President is very anxious to prevent it before the ratification of the peace treaty, which will be considered by the Senate tomorrow. It has not yet developed to what extent opponents of an expansion policy will endeavor to delay ratification, but it is believed that there will not be much delay.

CAPITAL MARKETS ON MONDAY

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending Jan. 8. Prices supplied by Telekurs.

Rnk Name Cpn Maturity Price Crd Yld

Australian Dollar

138 Aus & N Zel zero 02/04/99 99.6787 4.1300
155 Morgan Stanley 03/25/99 97.0420 5.0400
204 Queensland Tsy 6% 06/14/05 107.1250 6.9700

Belgian Franc

225 Belgium 6% 11/21/04 116.4100 5.8000

British Pound

48 Arning 7.5000/01/22/22 98.4454 7.1200
95 Ftn Resid Hou 6% 06/07/02 104.3734 6.6000
119 JLLS FRN 2.7348/09/30/00 99.0000 7.7000
137 Amritang 6.5609/07/12/22 23.7000 5.8200
159 Auber FRN zero 12/17/02 101.8840 6.7000
227 Owen FRN zero 12/17/02 99.6220 6.0200

Canadian Dollar

94 Canida 8 06/01/27 139.4860 5.7400
240 Comdo Trill zero 05/23/99 97.9400 4.7300

Danish Krone

15 Denmark 7 11/15/07 121.7600 5.7500
19 Denmark 9 11/15/00 109.2800 5.2200
20 Denmark 6 11/15/09 116.1500 5.1500
20 Denmark 6 11/15/09 116.1500 5.1500
25 Denmark 8 11/15/04 111.5200 5.1200
57 Denmark 7 12/15/04 116.5500 5.0100
73 Denmark 7 11/16/24 120.8800 5.2500
75 Denmark 8 05/15/03 117.5400 5.2000
82 Denmark 6 12/10/09 109.5000 5.8000
85 Unikredit 6 10/10/29 98.0000 6.1200
86 Unikredit Dan 6 10/10/29 98.0000 6.1200
98 Denmark Tbilis 26/0 08/29 97.5212 3.7600
118 Denmark 58/05/05 104.5200 4.6900
120 Red Commerz 4 01/01/09 100.2500 3.9700
125 T-bills 7-tills 4 01/01/09 100.2500 3.9700
226 Denmark 02/15/01 108.8300 3.9700
247 Recl 4 01/01/02 100.2000 3.9500

Deutsche Mark

91 Germany Tbilis zero 04/16/99 99.2170 2.9400
224 Venezuela 6.6500/03/21/03 73.7500 9.0200
229 Bayer Verte FRN 3.9575/12/22/08 99.9461 3.9600

Euro

1 Germany 6 07/04/07 115.9500 5.1700
2 Germany 54 01/04/04 111.2500 4.7200
3 Germany 5 12/05/02 99.9700 3.0000
5 Germany 5% 01/04/25 115.6150 4.8700
6 Germany 4/4 07/04/05 106.4228 4.4600
8 Treuhond 8/4 07/04/05 106.4228 4.4600
5 Germany 9 10/04/00 110.0629 8.1800
10 Germany 7/4 01/03/05 120.5400 6.1200
11 Treuhond 7/4 01/03/05 114.7400 6.3000
12 Germany 8/4 02/04/05 113.8400 7.2900
17 Germany 6/4 02/04/05 115.2543 5.2000
18 Germany 6 01/04/07 115.3200 5.2000
20 Germany 7/4 12/02/05 114.1900 6.2400
21 Germany 5/4 02/04/05 104.2000 5.3200
25 Germany 6/4 02/04/05 115.5771 5.2000
25 Germany 4 04/04/00 101.2000 3.9500
26 Germany 6/4 07/05/05 112.5200 5.2500
27 Treuhond 7/4 01/03/05 114.4248 6.2300
28 Germany 6/4 07/05/05 111.2800 5.2700
31 Germany 4/4 02/04/05 103.8293 4.3300
32 Germany 7/4 10/21/02 114.0300 6.3600
34 France B.T.F. zero 05/02/99 98.0400 3.0400
35 Germany 6/4 07/05/05 112.5200 5.2000
39 Germany 8 01/21/02 113.4614 7.0400
40 Germany 6/4 07/05/05 100.5500 3.9700
41 Germany 5 01/28/99 106.9400 4.6800

Rnk	Name	Cpn	Maturity	Price	Crds Yld	Rnk	Name	Cpn	Maturity	Price	Crds Yld
44	Germany	3/4	08/04/05	102.0700	3.6700	188	Argentina	11	12/04/05	98.5000	11.1400
44	Germany	5/4	09/04/05	102.0700	3.7000	189	Argentina	5/4	09/04/05	102.0700	3.7000
47	Germany	4/4	02/16/05	104.5200	4.2000	190	U.S. & Latin America	5/4	09/04/05	99.0280	4.9500
47	Germany	6	02/16/05	114.5200	5.2400	193	EIB	5/4	11/20/05	99.4250	5.2700
49	Treuhond	7/4	09/04/05	120.4000	5.2000	194	Argentina	8/4	05/09/05	98.5000	4.7400
50	Treuhond	6/4	03/04/04	113.4480	5.5100	195	Argentina	8/4	05/07/01	110.5220	5.4000
51	Germany	4/4	11/15/04	105.9500	5.2000	197	Argentina	5/4	09/04/05	99.0280	5.2400
52	Germany	5	11/15/04	114.4480	4.7100	198	World Bank	5/4	02/04/05	103.3750	5.5400
53	Germany	4/4	05/19/02	104.5200	4.2000	199	World Bank	5/4	02/04/05	103.3750	5.5400
54	Germany	4	03/17/00	101.1200	3.9500	202	Argentina	5/4	02/07/01	70.2000	7.4700
55	Germany	4/4	12/17/00	114.5200	5.2000	203	Bulgaria FRN	5/4	02/08/94	71.5000	9.3000
56	Germany	6/4	03/04/04	105.9500	5.2000	204	U.S. & Latin America	5/4	02/04/05	99.0280	5.2400
57	Germany	4/4	11/15/04	105.9500	5.2000	205	Argentina	5/4	02/04/05	99.0280	5.2400
58	Germany	5	07/09/05	120.4000	5.2000	206	Russia FRN	5/4	07/24/05	27.5000	32.100
59	Treuhond	6/4	03/04/04	113.4480	5.5100	207	Tbc Fin Cymru	1/4	03/01/05	82.5200	7.2200
60	Treuhond	5/4	02/21/04	104.4480	5.5600	208	World Bank	5/4	11/04/05	99.2500	5.0400
61	Treuhond	5/4	02/21/04	104.4480	5.5600	209	Tbc Fin Cymru	1/4	03/01/05	82.5200	7.2200
62	Treuhond	5/4	02/21/04	104.4480	5.5600	210	World Bank	5/4	11/04/05	99.2500	5.0400
63	Treuhond	5/4	02/21/04	104.4480	5.5600	212	Associates	6/4	01/01/05	102.5150	5.1000
64	Treuhond	5/4	02/21/04	104.4480	5.5600	213	Argentina	5/4	02/04/05	99.0280	5.2400
65	Germany	5/4	02/21/04	104.4480	5.5600	214	Argentina	5/4	02/04/05	99.0280	5.2400
66	Germany	5/4	02/21/04	104.4480	5.5600	215	Italy	5/4	11/20/03	99.5594	2.1000
67	Germany	5/4	02/21/04	104.4480	5.5600	216	Deutsche Bk Fin	2/4	02/17/03	99.8000	5.2000
68	Germany	5/4	02/21/04	104.4480	5.5600	217	Venezuela FRN	5/4	03/18/07	92.5419	11.1600
69	Germany	5/4	02/21/04	104.4480	5.5600	218	Argentina	5/4	02/04/05	99.0280	5.2400
70	Germany	5/4	02/21/04	104.4480	5.5600	219	Italy	5/4	11/20/03	99.5594	2.1000
71	Germany	5/4	02/21/04	104.4480	5.5600	220	Ecudor FRN	5/4	02/25/05	44.8222	4.9300
72	Germany	5/4	02/21/04	104.4480	5.5600	221	Italy	5/4	11/20/03	99.5594	2.1000
73	Germany	5/4	02/21/04	104.4480	5.5600	222	Ecudor FRN	5/4	02/25/05	44.8222	4.9300
74	Germany	5/4	02/21/04	104.4480	5.5600	223	Brazil S.L. FRN	5/4	09/09/07	92.5400	0.0000
75	Germany	5/4	02/21/04	104.4480	5.5600	224	Bulgaria	5/4	04/15/05	99.5594	5.2000
76	Germany	5/4	02/21/04	104.4480	5.5600	225	BNG	5/4	05/04/05	102.5000	5.2000
77	Germany	5/4	02/21/04	104.4480	5.5600	226	Eco Com Ex	7/4	02/02/04	92.0000	7.8800

U.S. Dollar

4,2000/07/03 103.5000 4.1400

U.S. Dollar

3,0000/10/20/05 101.4500 2.8000

124 France B.T.F.

zero 11/25/99 97.3794 3.0400

125 Belgium Tbilis

zero 12/05/99 97.0722 3.0200

126 Austria Domest

3,0000/10/20/05 101.4500 2.8400

127 Germany 94

zero 03/07/99 114.4164 3.0400

128 France B.T.F.

zero 03/07/9

Fed Policy Finds Itself Trapped Inside a U.S. Stock-Market 'Bubble'

By Louis Uchitelle
New York Times Service

NEW YORK — The U.S. Federal Reserve Board, as its chairman Alan Greenspan so often says, deals in the real economy, not sideshows. Inflation, output, profits, employment, exports, productivity — these are all aspects of the real economy.

"The stock market, in the Fed's scheme of things, is a sideshow. But the sideshow has now decisively moved into the center ring, creating a terrible dilemma for the central bank — and the public."

The Fed normally regulates the real economy by adjusting interest rates, lowering them to stimulate growth and raising them to remove this stimulus. In normal times, stock prices then rise or

fall in line with the changing pace of the real economy, almost as if the market were a meter. But over the past 12 weeks, and particularly the past four, the stock market has shot up quite on its own, instead of leading the market, the real economy now follows it.

"There are many people who claim that we are in a new era of economic performance and the high stock market reflects this new reality," said Henry Kaufman, a Wall Street economist.

"There is some truth to that claim. But when all is said and done, what we really have in the stock market today is a speculative bubble."

The bubble creates the Fed's dilemma. In the past, Mr. Greenspan has cautiously avoided sharp changes in interest rates, instead favoring gradual

moves to nudge the real economy without provoking an overreaction in stock and bond markets.

But the bubble has become so sensitive that even a quarter-point move by the Fed is potentially calamitous, threatening wild stock-market swings with the power to drag the economy along with them.

Suppose the Fed finds itself wanting to cut rates to offset some new danger — a Brazilian meltdown, for example, or the unanticipated bankruptcy of some high-flying technology company. Wall Street would view the rate cut as further evidence that, when adversity strikes, the Fed stands ready to bail out the economy and the market. Stock prices would shoot up again, just when they are already 30 percent overvalued, according to several Wall Street estimates.

"Another rate cut would whip up the near-mania that already exists," said David Jones, chief economist at the bond firm Aubrey G. Lamont & Co.

What if the Fed decides it must raise rates to head off inflation? The U.S. economy grew in the fourth quarter at a robust annual rate of nearly 4 percent, preliminary data suggest, and the December job figures came in strong Friday.

Consumer spending played a big role in the healthy showing, and rising stock prices fueled a big chunk of this spending. They also encouraged business investment, another source of growth.

Boom times such as these inevitably raise inflation concerns in the minds of Fed policymakers, even though inflation is low. But they pose for the Fed the awful choice of leaving rates alone —

and encouraging investors to go on thinking that the Fed cares more about surging high stock prices than controlling inflation — or raising rates to slow the economy, with consequences that could be very unpleasant.

"Raising rates is out of the question," said Robert DiClemente of Salomon Smith Barney Inc. "It would burst the bubble."

A plowing stock market would then chill the economy much more than the Fed intended. For example, a 10 percent drop in stock prices over 12 weeks could reduce economic growth by a painful 2.3 percentage points, according to a computer model of the economy developed by Macroeconomic Advisers Inc.

Top Fed officials, including Mr. Greenspan, have said little lately about the stock market, although some hinted last week that they considered stock prices higher than the real economy could justify.

The Fed put itself in this tough spot unintentionally last autumn, when the Dow Jones industrial average was 26 percent lower than it is today and the Fed made three rate cuts of a quarter-point each to counteract the effects of the global financial crisis.

The Fed policymakers recognized, according to the minutes of their Nov. 17 meeting, that their third rate cut, approved that day, "might trigger a strong further advance in stock-market prices that would not be justified on the basis of likely future earnings and could therefore lead to a relatively sharp and disruptive market adjustment later."

Italy Joins Japan Plea For Currency Stability

Bloomberg News

ROME — Italy has joined France and Japan in calling on the other members of the Group of Seven industrialized nations to create a framework to bring greater currency stability to the global monetary system.

"We agreed to monitor developments of exchange markets more closely and seek to establish a renewed framework for mutual cooperation," Prime Ministers Massimo D'Alema of Italy and Keizo Obuchi of Japan said after a weekend meeting in Rome.

The two leaders renewed the calls made by Mr. Obuchi and President Jacques Chirac of France on Thursday in Paris, Mr. Obuchi's first stop in a weeklong tour of the largest economies in the European single-currency bloc: France, Italy and Germany.

To improve global financial stability and the role of the International Monetary Fund, Italy and Japan plan to work together in "various fields in cooperation with other G-7 countries," the two leaders' statement said, such as announcing financial-sector supervision; tackling issues related to international investing, including hedge funds; addressing "issues of exchange-rate regimes," and improving the IMF's programs and procedures.

As it suffers its worst postwar recession, Japan is seeking to reduce the currency fluctuations that have hindered its recovery.

A strong yen hurts the Japanese economy by making exports more expensive on world markets, harming the export profits through which the nation hopes to emerge from recession.

Regarding the debut of the European common currency, the euro, in 11 countries Jan. 1, Mr. D'Alema and Mr. Obuchi said, "The stability of the euro's exchange rate is especially important in the foreign-exchange market."

A spokesman for the Japanese leader later said the leaders had not discussed details of how a new framework for currency stability would operate. The subject is likely to be tackled at the next G-7 summit meeting in Cologne in June.

Besides Italy, France and Japan, the G-7 members are the United States, Germany, Britain and Canada.

Germany, which Mr. Obuchi is to visit Monday and Tuesday, is likely to also endorse the idea of promoting currency stabilization. Finance Minister Oskar Lafontaine of Germany advocated last year the idea of linking deutsche mark currencies among the euro, the dollar and the yen by setting up trading bands for the three currencies.



Prime Minister Keizo Obuchi, alongside his wife, Chizuko, touring the excavated ancient Roman city of Pompeii on Sunday during his visit to Italy.

By Daniel Williams
Washington Post Service

MOSCOW — Russia marked the end of its long New Year's holiday with renewed warnings that it will be able to pay only a little more than half of its foreign debt obligations this year without outside help.

The warning came in a statement Saturday from the Finance Ministry, an apparent effort to deny domestic news reports that Russia had told creditors to seize Russian property abroad rather than wait for payment.

The statement called the reports "inventions from beginning to end." But the de-

claration also acknowledged that the government only had budgeted \$9.5 billion for debt payments, and \$17.5 billion is due. As for the rest, either payments will have to be delayed, or Russia will default.

"Due to the financial crisis, the country has indeed found itself in a difficult debt situation and will be unable to meet its external commitments on time," the statement said.

Russia's economy is in a deep slump, and the value of the ruble has fallen about 10 percent just since Jan. 1. A survey by the Interfax news agency said five of Russia's largest banks were insolvent — meaning they

could neither pay creditors nor return deposits to savers.

Some shares on Russia's stock market fell as much as 97 percent last year — in other words, to the equivalent of 3 cents on Dec. 31 for every \$1 of value those shares had on Jan. 1, 1998. The government predicts that the economy will shrink at least 8 percent this year after having declined more than 5 percent last year.

■ Moscow Delays Debut of Euro

Russia delayed introducing the euro on its currency markets Sunday, saying further technical preparations were needed; it sched-

uled the first day of trading for Jan. 19, Agence France-Presse reported.

News reports earlier said the 11-nation European currency would start trading against the ruble as early as Sunday, which was a working day in Russia after a three-day break for the Orthodox Christmas.

But Moscow's Interbank Currency Exchange said euro trading could not start until preparations had been completed.

The Central Bank assigned the euro an initial value of 25.89 rubles. The bank also said its gold and foreign currency reserves fell \$77 million in the week that ended Jan. 1, to \$12.22 billion, the Itar-Tass news agency reported.

Russia Warns It Will Need Help to Pay Foreign Debt This Year

By Daniel Williams
Washington Post Service

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CYBERSCAPE

Lots of Chatter in the AOL Infield

By Chris Allbritton
The Associated Press

NEW YORK — An Internet chat program owned by America Online Inc. has almost doubled its membership in six months, helping AOL beef up its presence in cyberspace.

Mirabilis, an AOL-owned company that produced ICQ — Internet-speak for "I See You" — announced Friday that it had 25 million registered users, 11 million active, daily users and up to 800,000 simultaneous users at any one time.

The ICQ software allows users to chat privately with other members over the Internet in real time, much as AOL's members can do using the service's Instant Message function.

It has proven wildly popular with young, computer-savvy people who are not members of America Online.

Also, ICQ is free and can be downloaded by anyone, while AOL charges its on-line service members \$21.95 a month.

"This, at its heart, is a communication portal for people who don't have AOL," said Ted Leonsis, president of AOL Studios. "The Web is a lonely place and this gives you a lot of intimacy."

In June 1998, America Online bought Mirabilis and access to the 12.8 million registered users it then had.

Today, AOL has more than 15 million members, making it the largest on-line provider in the world. Mr. Leonsis said only about 6 percent of the members use both services.

With its varied holdings of ICQ, Digital Cities, CompuServe, its on-line service and its own separate instant messaging software, America Online Inc. has access to about 41 million people.

If the Justice Department approves AOL's purchase of Netscape Communications Corp. and its popular Web portal Netcenter, which has 10 million registered users, AOL will own services used by more than 50 million people.

That is about a third of the world's wired population of 150 million, according to NUA Ltd., an Internet research firm.

"We've got a big footprint in the on-line world," Mr. Leonsis said.

■ Good News for Retailers

Britain's retailers may have had a tough time attracting shoppers recently but with electronic retail there is massive latent demand waiting to be tapped, according to new findings, Retailers reported from London.

"Electronic shopping is set to become by far the fastest growing retail sector over the next five years," a retail consultancy, Verdict Research Ltd., said in a report.

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NASDAQ NATIONAL MARKET

**Consolidated prices for all shares traded
during week ended Friday, January 08**

How to Sell
in Bottles
Cook an Egg

RECRUITMENT

INTON:
Outline's Clean

Continued from Page 1

and analysts will have to wait until next year to evaluate the election of President Kenneth Starr, a conservative, tough, pro-business, and pro-family candidate. The White House says it will be up to the objective of the election to determine what's best for the economy. Analysts say the election will be a major factor in the economy's future.

After the election, the question is whether the new president should continue with the policies of the outgoing administration. Most Republicans are agreed that it would be best to continue with the policies of the outgoing administration. Most Republicans are agreed that it would be best to continue with the policies of the outgoing administration.

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U.S. Funds Closed 1998 In a Double-Digit Roar

Growth Stocks Led the 4th-Quarter Surge

By Robert D. Hershey Jr.
New York Times Service

NEW YORK — In a dramatic comeback that cheered holders of more than 100 million mutual-fund accounts, the fund industry turned in a rollicking performance in the final quarter of 1998. The average U.S. diversified stock fund returned 18.8 percent, the biggest gain

INVESTING

for any quarter since 1982, when the business was less than one-eighth its present size.

Buyed by a Federal Reserve Board whose interest-rate cuts clearly reflected more concern about heading off world recession than about fueling stock prices, the market rewarded the overwhelming

PepsiCo to Sell Stake in Bottler To Seek an Edge

Compiled by Our Staff Reporters

PURCHASE, New York — PepsiCo Inc. is selling part of its bottling business in one of the biggest U.S. initial public offerings ever, seeking to strengthen its distribution operation to better compete with its rival Coca-Cola Co.

The No. 2 soft-drink maker has disclosed plans to sell \$1 billion in Pepsi Bottling Group stock, but analysts predict that the final amount would be \$3 billion to \$4 billion.

"We expect much bigger deal," said Caroline Levy of Schroder & Co.

Roger Enrico, PepsiCo's chief executive, is trying to consolidate the company's bottling and distribution operations to cut costs. Pepsi Bottling will acquire independent U.S. bottlers, the company said in a regulatory filing.

"Pepsi has lagged the Coca-Cola Co. and the Coca-Cola system in consolidating its distribution system," said Skip Carpenter of Donaldson, Lufkin & Jenrette. "A large public bottler will lead the consolidation that the Pepsi system sorely needs, but it will take some time."

The filing did not indicate how much of a stake in the bottling operation PepsiCo would retain. But PepsiCo did say it would retain 100 percent of the Class B stock, each share of which has 250 votes for each common stock vote.

The bottling group handles 32 percent of PepsiCo's worldwide sales and 54 percent of the North American sales of such beverages as Pepsi, Diet Pepsi, Mountain Dew, Lipton iced tea and Aquafina bottled water. The public offering will allow PepsiCo to focus on marketing and developing soft drinks while continuing the profitable practice of selling soft-drink concentrates to the bottlers. Bottlers, who mix the concentrate with carbonated water, package it and distribute the drinks, generally have lower profit margins. (Bloomberg; AP)

majority of fund investors who, rather than running for cover, had either sat tight during the market's troubles in late summer or used that period of falling stock prices to pick up bargains.

Their persistence allowed fund managers to avoid selling shares or guarding their cash. And the rewards in many cases were fourth-quarter returns that exceeded the gain in the Standard & Poor's 500-stock index, a benchmark that has traditionally been hard for fund managers to beat.

But while a half-dozen categories of actively managed stock funds surpassed the 20.9 percent gain in the S&P, it was growth funds that really excelled — a trend embracing companies of all sizes.

Growth funds that invest in large-capitalization stocks, those with the biggest market values, jumped an average of 26.3 percent in the fourth quarter and 36.5 percent for 1998. Funds that specialize in medium-sized companies also rallied and came in a close second for the quarter, up 26.1 percent, but showed gains of only 18.3 percent for the year.

In an even sharper recovery, beaten-down small-company growth funds racked up a 24 percent fourth-quarter advance that hoisted their full-year return from negative territory to a 4.3 percent gain.

For the growth funds, the chief advantage was economic turmoil abroad, which for a while caused fears of a recession in the United States. Companies that are not closely tied to the business cycle were at a premium, and many investors sought quality within the stock market.

In particular, telecommunications and technology stocks, which rebounded with a vengeance, were highly represented in growth funds. Some fund managers have even ventured into such Internet rockets as Amazon.com, the bookseller, which rose 187.8 percent in the quarter, and eBay Inc., an auctioneer

that rose 435.4 percent.

Funds specializing in technology companies did best of all, surging 41.7 percent, according to Morningstar Inc., the Chicago fund researchers.

But bond funds were flat by comparison: 15 of 21 classifications eked out gains of less than 1 percent. Long-term government funds lost 1.2 percent on average. Emerging-market bond funds returned 12.3 percent, in contrast to disastrous quarters earlier in the year.

Disappointing bond-fund returns, analysts said, showed that investors had anticipated the Fed's rate cuts, the first of which came in September.

Many investors seeking refuge from foreign turmoil moved to Treasury issues, largely ignoring corporate and tax-exempt municipal issues.

Although much of Asia remains in recession, markets there rebounded smartly in apparent anticipation of a recovery. Stock funds investing in Pacific Rim countries and Asia excluding Japan rose an average of 27.6 percent in the fourth quarter. But these funds still posted a loss of 10.4 percent for all of 1998.

PAL Workers To Keep Jobs, Estrada Says

Reuters

MANILA — President Joseph Estrada of the Philippines said employees of Philippine Airlines Inc. would keep their jobs in spite of the entry of a new management team.

"They cannot do that," Mr. Estrada said when asked on his weekly radio and television program Saturday whether the management changes would mean retrenchment for the airline's employees.

Four executives of Hong Kong-based Cathay Pacific Airways Ltd. are to join the Philippine carrier Wednesday. Among them is Peter Foster, Cathay's general manager for Taiwan and the Philippines.

Mr. Foster said Friday that he had resigned from Cathay and formed a private consultancy firm that had been given extensive powers to try to revive the Philippines' ailing flag carrier.

The new firm, Recent Services Ltd., is expected to soon announce details of a turnaround plan.

Mr. Estrada said, "The entry of Cathay executives into PAL is a good sign that it is now 'all systems go' for the airline."

Cathay had been negotiating for a stake in the carrier, but talks bogged down after a disagreement over the airline's management control and its valuation.

Philippine Airlines closed down in September because of labor disputes.

An agreement brokered by Mr. Estrada giving employees a 20 percent stake in the airline allowed it to reopen in October.

Various creditors have opposed a rehabilitation plan proposed by the airline. Mr. Foster said he would revisit secured creditors to gain approval for a revised plan.

"The only way they could do it with

MALAYSIA: Tycoons No Longer Immune

Continued from Page 1

Rashid Hussain, the controlling shareholder and founder of the group, took a "crew cut," in the words of Tan Sri Choo, a visiting fellow at the Institute of Strategic and International Studies in Kuala Lumpur. His stake in the group will be reduced to 17.3 percent from 29.3 percent without any cash compensation.

"Rashid could become the standard-bearer of the quiet revolution that ushered in a new era of corporate governance and accountability," Mr. Tan wrote after the deal was announced.

Accountability is not confined to business these days. Last week, the top police officer, Abdul Rahim Noor, resigned and took responsibility for the September beating of Anwar Ibrahim, the ousted deputy prime minister.

"It shows the world and the people that the prime minister is not protecting anyone," one cabinet minister said of Mr. Abdul Rahim's resignation.

But perhaps the most striking development has been the government's new attitude toward Mr. Halim and Renong. The company has been the embodiment of Kuala Lumpur's openly advocated policy of close links between government and corporate chieftains that has been referred to as "Malaysia Inc."

A few months ago, given Mr. Halim's political connections, his position might have been the most secure in the country. But suddenly his job looks tenuous.

The prime minister recently told the government adviser that, while he wanted to make sure that Renong as a company did not fail, about 10,000 jobs are at stake — Mr. Halim's job security was another matter.

"If we are going to bail out the company, why does he have to stay?" Mr. Mahathir was quoted by the adviser as saying in a recent cabinet meeting.

Mr. Halim is squeezed between foreign creditors eager to recoup their money and an increasingly bailed-out government.

Analysts say the foreign creditors are seeking government guarantees for their restructured debt but that the government has balked at the prospect, thinking that it will be perceived as a bailout.

"The only way they could do it with

our causing too much public uproar is that Halim has to be sacrificed," said Lai Tak Heong, head of research at SG Research Malaysia Sdn. in Kuala Lumpur. "That may well happen eventually. Rightly or wrongly, a lot of the talk about cronyism is focused on this one person."

Mr. Halim's bargaining chip is clear: He has built up goodwill with the government over the past few years. Unlike other companies that were given large-scale projects, Mr. Halim and Renong have completed major works on time.

The appointment Friday of his long-time mentor, Mr. Daim, to the post of finance minister, might also help secure his job.

But, the government adviser said:

"He is one of the most prominent cronies, so to speak. Politicians are politicians, and they must respond to their constituency."

SHORT COVER

Machine-Tool Orders In U.S. Decline Again

WASHINGTON (Bloomberg) — U.S. orders for machine tools declined in November from the month before as demand dropped in every region of the country except the Northeast and South, an industry survey showed Sunday.

Orders from U.S. companies for domestic and foreign-produced machine tools fell 17 percent to an estimated \$440 million in November from a revised \$532 million in October, said a joint report from the Association for Manufacturing Technology and the American Machine Tool Distributors' Association. It was the second consecutive monthly decline in estimated orders.

Publisher Quits Talks With Mirror Group

LONDON (Bloomberg) — Trinity PLC, Britain's fourth-largest newspaper publisher, said Sunday it had dropped out of merger talks with Mirror Group PLC, the country's third-largest publisher.

The company's statement gave no reason for the decision. It was issued after reports in Sunday newspapers said the companies were once again holding talks that could create a £1.3 billion (\$2.1 billion) company.

Dresdner Bank Plans To Expand Worldwide

FRANKFURT (Bloomberg) — Dresdner Bank AG plans to bolster its position in Europe and the United States through acquisitions of rival investment banks, according to its chief executive, Bernhard Walter.

In an interview with the German financial daily *Boersen-Zeitung*, Mr. Walter said the third-largest German bank was "looking very closely" at the U.S. investment-banking market, though he added that it was not holding "concrete talks" at the moment.

Ssangyong Negotiates Selling 28% Oil Stake

SEOUL (Reuters) — Ssangyong Group has been negotiating with two major U.S. oil refiners to sell a 28.4 percent stake in Ssangyong Oil Refining Co., a group spokesman said.

U.S. MUTUAL FUNDS

Figures as of close
of trading Friday, January 09

SPORTS

Maier Loses For First Time In Austria, to Team's Rookie

The Associated Press

FLACHAU, Austria — Hermann Maier, the nearly unbeatable Austrian powerhouse, lost a World Cup giant slalom in front of his hometown fans Sunday to a younger and less experienced teammate.

Benjamin Raich, a 20-year-old skier in his first season on the World Cup, trailed in third place after the first heat then flashed down the slope on his second run to post a winning combined time of one minute, 27.02 seconds.

Maier, known as the "Hermannator" because of his powerful build, took third.

Before the race Sunday, Maier had won every World Cup he had competed in on Austrian soil since joining the circuit last season.

Raich, a five-time World Cup junior champion said: "It was never my goal to beat Maier. My goal was to finish at the top of the podium, and I don't care who is behind me."

Maier, the overall World Cup leader and Olympic champion in the giant slalom, said his third-place finish was a "small victory," considering his disappointing finish in the event last week.

"Everybody was expecting a lot from me," said Maier. "And it was almost impossible to focus on the race. It was even harder than at the Olympics."

Raich edged Michael Von Gruenigen of Switzerland, the World giant slalom champion, by just five-hundredths of a second.

"I really wanted to win the race," said Von Gruenigen. "And it was almost impossible with second place because the time difference is so small."

Raich joined the World Cup circuit this season and immediately began making a name for himself. He scored his first World Cup victory in a night slalom Thursday in Schladming, Austria, where he made a record comeback from 23rd place after the first run.

"For years it used to be the same people in the top spots," said Von Gruenigen. "Now it is quite exciting to see newcomers to the circuit do well. It gives you extra motivation."

More than 20,000 spectators lined the course Sunday. They cheered wildly and honked horns when it was clear that an Austrian had won the race.

"I think I have become quite popular with Austrian ski fans," said a jubilant Raich, who began signing autographs in the finish area.

After a disappointing ninth place in the first run, Maier tore down the second run in his most aggressive style, moving up to third.

"Raich is in great shape right now," acknowledged Maier, who shook Raich's hand after the race. "But I will strike back 100 percent."

Both Maier and Von Gruenigen said Raich was so successful because he felt no pressure to win, allowing him to stay relaxed and take more risks.

Maier, whose parents are ski instructors at Flachau, enjoyed his huge lead in the overall World Cup standings to 811 points. Kjetil Andre Aamodt of Norway is second at 603, followed by Lasse Kjus of Norway at 592.



The Devils' Vadim Sharifjanov sending the Capitals' Joe Juneau sprawling in first-quarter action. Washington won the game, 3-2.

Lidstrom Lifts Red Wings

Late Goal Breaks a 2-2 Tie With Avalanche

The Associated Press

Nicklas Lidstrom's tie-breaking, power-play goal with 6:59 remaining defeated Detroit to a 3-2 victory over the Colorado Avalanche for the Red Wings' third triumph in their last 11 games.

Steve Yzerman and Martin Lapointe also scored for the host Red Wings on Saturday, who came into the game only 2-7-1 in their previous 10 contests.

Adam Foote got two assists, on tips by Claude Lemieux and Peter Forsberg, for the Avalanche, who had won four of their last five road games.

Canadiens 3, Islanders 2 Stephane Quintal scored two goals, including the game winner on the power play early in the third period, as host Montreal beat the New York Islanders. Patrick Poulin also scored for the Canadiens. The Islanders are winless in seven games.

Earlier Saturday, the Islanders acquired goaltender Felix Potvin from Toronto for defenseman Bryan Berard.

Maple Leafs 6, Bruins 3 Derek King and Igor Korolev scored 33 seconds apart in the opening two minutes of the game as Toronto beat visiting Boston. Mike Johnson scored twice, and Garry Valk and Scott Berezin also scored for the Maple Leafs. Shawn Bates, Joe Thornton and Kyle McLaren scored for Boston, which outshot Toronto, 32-23.

Capitals 3, Devils 2 Olaf Kolzig made 39 saves and Washington, a Stanley Cup finalist a year ago, posted its first three-game winning streak of the season by holding off the Devils in East Rutherford, New Jersey. Brian Bellows, Michal Pivonka and Joe Juneau scored for the Capitals. Vadim Sharifjanov and Owen Nolan scored for San Jose.

and Patrik Elias scored in the third period after Washington built a 3-0 lead against Chris Ferreri.

Flyers 2, Hurricanes 0 Valeri Zelepukin and Eric Lindros scored second-period goals as host Philadelphia beat Carolina and extended the NHL's longest current unbeaten streak to 13.

The game was marred by injuries to Philadelphia goaltender Ron Hextall, Flyers defenseman Dmitri Tertshny, Carolina center Robert Kroen and an NHL official, Gordon Broseker.

Penguins 2, Blues 1 Tom Barrasso stopped 29 shots to help Pittsburgh beat the visiting St. Louis Blues and extend the Penguins' winning streak to six games. The Blues were caught short in a line change late in the second period, allowing Robert Lang to break a 1-1 tie.

Blackhawks 3, Predators 3 In Nashville, Nelson Emerson's first goal as a Blackhawk climaxed a three-goal deficit to tie the Predators. Emerson, who arrived in a trade with Carolina for Paul Coffey six games ago, fired a wrist shot from the high slot past Tomas Vokoun's glove 8:59 into the third period.

Kings 1, Oilers 1 Stephane Fiset made 32 saves in his first start in almost a month, and Rob Blake scored his first goal in 2½ months as Los Angeles tied visiting Edmonton. Fiset was especially sharp during the final 25 minutes of his duel with Bob Essensa, stopping all 11 shots against an Oilers team that leads the NHL with 44 third-period goals.

Sabres 2, Sharks 2 Michael Peca's power-play goal midway through the third period lifted visiting Buffalo to a tie with San Jose. Miroslav Satan scored Buffalo's other goal. Marco Sturm and Owen Nolan scored for San Jose.

A Brave Man, On and Off Court

Vantage Point/MICHAEL WILSON

Washington Post Service
WASHINGTON — I stopped thinking of John Thompson as a basketball coach a long time ago. Of course that's what he has done professionally for more than 30 years. And he did it well enough to win championships, coach the U.S. Olympic team, and earn — probably later this year — a spot in the basketball Hall of Fame.

But to frame him as essentially a basketball coach would be to shoot an air ball, to miss the point entirely.

Thompson, who resigned his post Friday as Georgetown University's head coach for personal reasons, evolved into a man who changed some fundamental elements of college basketball and also challenged traditional notions about education, contradicted virtually every stereotype people held about blacks in athletics and used the moral authority of his position to inspire a segment of urban America thought by many to be unreachable.

He changed this city in a way no mere coach ever could, and his departure from Georgetown means that metropolitan Washington will never be the same.

Basketball was Thompson's pulpit, from which he could rouse, examine, defy, confront.

about being the first black coach to reach this point, and he said essentially that a great many black men before him had been denied the opportunity to do the same thing. It's the only appropriate answer to that question.

If the predominantly black teams and the toe-no-prisoners style Georgetown played with on the court made Thompson an idol among young urban men, it was his message of discipline, education and self-reliance off the court that seduced others. While seemingly everyone else was becoming more permissive, Thompson was as demanding as a turn-of-the-century headmaster. Between 1982 and 1990, he was a cultural force. Of how many basketball coaches would you say that? He seemed tireless and invulnerable to many of us, which must have been an overwhelming burden.

"I'm not the great big idol with the golden head," he said Friday. "I'm John Thompson who's fragile and weak and has to address things that pertain to him also."

Regrettably, it never occurred to me until now.

Much of Thompson was exactly as it seemed, some of it was nothing as it seemed. Also, Thompson's bark was a whole lot worse than his bite.

Thirteen years ago, on the eve of NCAA March Madness, I was covering Georgetown basketball when my father died of cancer. When I arrived in Chicago for the funeral home, I found two enormous wreaths, the largest arrangements of flowers we received. One said,

"From John Thompson," and the other said, "From Georgetown Basketball." As if they weren't one and the same. Thompson had never even met my father.

You see, Thompson usually got the big stuff right.

But as the Hoyas were eliminated earlier and earlier from the NCAA Championship Tournament, people began to ask if Thompson had slipped.

Maybe. How many coaches don't after 20 years? But the question doesn't take into account that after 1985 Thompson did not have the luxury of simply being a basketball coach.

A whole lot of folks could coach basketball, so what? But nobody else was the idol with the golden head. No amount of protesting will stop a great many people from seeing Thompson that way, even if a problematic marriage and a trying divorce have pushed him away from a life he loved so dearly.

I don't mean to diminish the basketball contributions. The Big East — with apologies to the University of Connecticut, Syracuse and St. John's — owes its popularity first and foremost to Georgetown. Before Thompson hit his stride, Big East basketball was a chummy little club sport that almost no one outside the region paid attention to.

TOMPSON insisted that the Big East schools leave their inadequate gymnasiums for major arenas so the games could be televised and Big East basketball could move into the big time. His pressure defense — it doesn't matter who played pressure defense first, Thompson perfected it — changed the way teams played offensively. Georgetown defense made coaches find secondary ball handlers and rethink traditional ways of getting the ball up court. If Thompson did not invent the play-10-men game of attrition, he popularized it. There was no more important game on the schedule for most teams than Georgetown.

Whether we will see that kind of basketball dominance here again, no one knows. But I'm less concerned for the moment with Georgetown basketball than with the fear that Thompson, without his vehicle, won't be heard as frequently, as loudly.

Sometimes, complex situations relating to sports cry out for a strong voice. Whatever Thompson winds up doing next, I hope he makes sure the new venue has a pulpit.

Australia Ousts Sweden to Win Hopman Cup

The Associated Press

PERTH, Australia — Australia defeated Sweden to win the Hopman Cup for the first time in the mixed-team tennis tournament's 11-year history.

Jelena Dokic, the 15-year-old world junior champion, continued her string of upsets when she beat Asa Carlsson, 6-2, 7-6 (10-8), and Mark Philippoussis clinched Australia's victory Saturday with a 6-3, 7-6 (8-6) victory over Jonas Bjorkman.

Dokic, ranked 341st, added Carlsson to a list of victims that had included Arantxa Sanchez Vicario and Sandrine Testud.

Carlsson, ranked 92d, was unable to

outclass her rival in the fierce baseline rally. Dokic often increased the pace and caught Carlsson off-guard.

When Carlsson became more aggressive and forced her way back into contention, recovering from a 1-4 deficit in the second set, Dokic remained composed and held three match points at 5-3.

Although Carlsson survived then, Dokic finally claimed victory in the tiebreaker on her seventh match point.

"It's probably the greatest day of my life," Dokic said.

"I've never won something this big before, and it gives me great confidence."

Illness Sidelines Graf

Illness stomach forced the former world No. 1 Steffi Graf to quit after four games in the final of the SuperPower Challenge Cup in Hong Kong. The Associated Press reported.

Graf, who reportedly had an upset stomach, forfeited the match and the tournament Saturday to her opponent, Venus Williams.

Graf, 29, had advanced to the final with a 6-2, 7-6 (7-4) victory over Serena Williams, Venus' younger sister.

Venus Williams, ranked fifth in the world, defeated Anna Kournikova of Russia, in the semifinals, 6-4, 6-3.



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Bad Break for 49ers: Falcons Seize Victory

San Francisco Runner Injures Leg On First Play From Scrimmage

By Thomas George
New York Times Service

ATLANTA — A spin, a twist, changed the entire complexion of the playoff clash between San Francisco and Atlanta in the Georgia Dome. It was a 7-yard run and a spinning move by running back Garrison Hearst on the game's first play from scrimmage that made the 49ers play the rest of the game looking backward.

Hearst broke the fibula in his left leg on the play.

It was the spin, the twist that tossed the 49ers for a loop Saturday as the Falcons

FALCONS 20, 49ERS 18

beat San Francisco, 20-18, in a National Football Conference divisional playoff and improved to 15-2 on the season.

Atlanta, though, played this game at full throttle. Smashing faces. Pulverizing bodies. It was a punishing defense and a rugged, run-oriented offense — Falcons' staples this season — that Atlanta used once again to make its mark.

"This one is lasting,"

Atlanta moves on to the NFC championship game for the first time, to play either the Arizona Cardinals or the Minnesota Vikings, who faced each other Sunday.

Atlanta won by intercepting Steve Young three times, by committing few penalties and by winning in possession time. It won with staying power and resolve, notwithstanding a late Young rally and then the 49ers' last-gasp drive for another miracle finish.

The Falcons won with speed and youth and veteran leadership, with a solid game plan that played to its strengths of power and quickness and intelligence. It won with the emotional return of its head coach, Dan Reeves, from heart surgery. It advanced because it enjoyed superb success in strategy and in execution.

The Falcons' quarterback, Chris Chandler, had a decent day, going 13 of 19 for 169 yards with one interception and eight passes for first down.

But the critical factor was the running game. Atlanta produced one. San Francisco could not.

After Hearst went down, San Francisco ran the ball 19 times. No 49ers back had a run longer than Hearst's seven yards. Then Hearst's backup, Terry Kirby, bruised his leg. That hurt the 49ers, too. The 49ers averaged 2.3 yards a carry and finished with only 46 rushing yards. Young threw the ball 37 times.

Atlanta featured Jamal Anderson, a bruising back who crushed the 49ers. He scored on runs of two and 34 yards that put Atlanta ahead, 14-0, with 3 minutes 12 seconds left before halftime. He finished with 113 rushing yards; the Falcons totaled 136, averaging 4.1 yards a carry. Atlanta ran the ball 33 times and passed it only 19.

No Hearst, a Pro Bowl back. Plenty of Anderson, a Pro Bowl back. Both sides could define the obvious.

"My running game took a couple of hits," said Steve Mariucci, the 49ers coach. "A lot of responsibility was placed on Steve Young's shoulders and our passing game."

Nonetheless, San Francisco fought back.

The 49ers scored 10 points in the final 3:12 of the first half — a touchdown on a Young-to-Jerry Rice throw of 17 yards and a Wade Richey field goal as time expired. Atlanta led, 14-10, at halftime.

Atlanta continued to stick together. The Falcons intercepted Young with 4:44 left in the third quarter, with safety Eugene Robinson returning the pass meant for receiver J.J. Stokes 77 yards to the San Francisco 20. That set up Morten Anderson's 29-yard field goal with 1:16 left.

Plenty of time for another rally by Young and the 49ers, who got to this game by defeating Green Bay on the last play of their wild-card game Jan. 3.

On the 49ers' next drive, early in the fourth quarter, safety William White

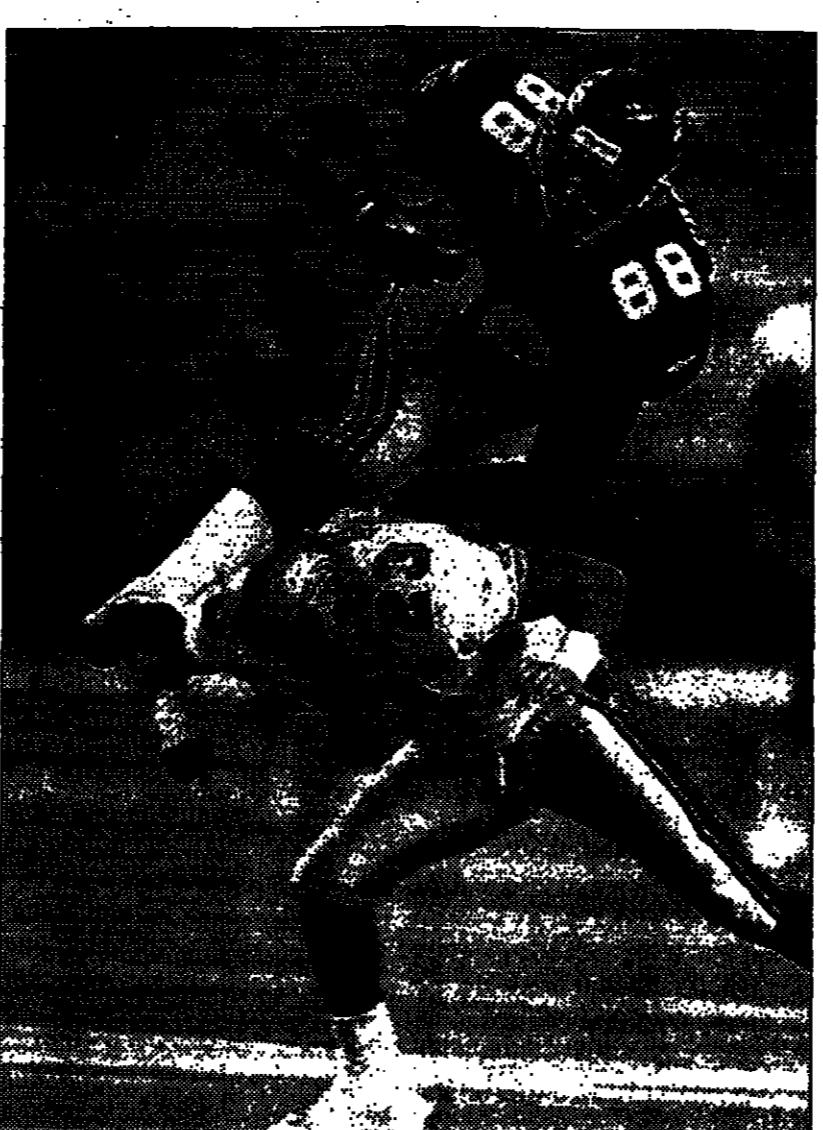
intercepted a Young pass meant for tight end Clark and returned it 14 yards to the San Francisco 36. Another Anderson field goal followed.

Young, who completed 23 of 37 passes for 289 yards, then drove the Falcons 87 yards in 13 plays in 7:36, running eight yards for the score, and after a two-point conversion, it was suddenly a 20-18 game with 2:57 left.

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The Falcons receiver O.J. Santiago catching a pass in the first half from quarterback Chris Chandler and flying over the 49ers' Marquez Pope.

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WORLD ROUNDUP

A Fleet Dutch Duo

SPEEDSKATING The Dutch skaters Rinje Ritsma and Tonny de Jong won the men's and women's overall titles at the European Speedskating Championships in Heerenveen, Netherlands.

It was a record fifth title for Ritsma, who went into the 10,000 meters Sunday with a 29.78-second lead over Christian Breuer of Germany. The 10,000 was won by Bart Veldkamp of Belgium in 13 minutes, 29.81 seconds. Ritsma finished third. Earlier in the competition, Ritsma won the 500 and 1,500 and was third in the 5,000.

De Jong's third-place time of 7:07.44 in the 5,000 kept her .95 seconds ahead of the defending champion, Claudia Pechstein of Germany, in the women's competition. De Jong also won the European title in 1997. Pechstein was second in the 5,000 at 7:06.09 and second overall. (AP)

Enqvist Defeats Hewitt

TENNIS Thomas Enqvist of Sweden ended Lleyton Hewitt's two-year unbeaten streak in the Australian Men's Hardcourt tournament, winning the title with a 4-6, 6-1, 6-2 triumph Sunday in Adelaide.

After winning the first set, the 17-year-old Hewitt turned in an uncharacteristically timid performance in the final two sets to fall to Enqvist's big serves and on-line winners. Enqvist, the second seed, was sidelined for three months last year after surgery on his right ankle. This was his 14th title, his first since last April. (AP)

Frenchman Wins Stage

MOTOR RACING Jean-Louis Schlesser of France won the ninth stage of the Dakar Rally on Sunday to open a big lead over his nearest rival, Miguel Prieto of Spain.

Schlesser, in a car he designed himself, won the 300-kilometer (186-mile) timed section of the stage by seven minutes over Kenjiro Shinozuka of Japan, who drives for the Mitsubishi team. Prieto, only 2 minutes and 10 seconds behind Schlesser at the start, found himself 9 minutes and 25 seconds adrift after finishing third. The run from Bobo Dioulasso in Burkina Faso was modified to end at Mopti, in Mali. (Reuters)

Maris Misses the Cut

BASEBALL Roger Maris missed the Hall of Fame ballot cut and will be missing from the list of candidates considered by the veterans committee March 2 in Tampa, Florida. Maris, whose record of 611 home runs was broken last season by Mark McGwire and Sammy Sosa, was among roughly 100 players dropped by the screening committee, which cuts the list of candidates to between 10 and 15 players. (AP)

Manchester United Moves Into 3d Place

Cole Scores 2 Goals in Victory Over West Ham

Compiled by Our Staff From Dispatches

Two goals by Andy Cole and one each by Dwight Yorke and Ole Gunnar Solskjær helped Manchester United to a 4-1 victory over West Ham on Sunday at Old Trafford, moving United into third place behind Chelsea and Aston Villa in the English Premier League. Yorke scored his 13th goal of the season in the 10th minute on a sharp-angle shot from 10 meters (33 feet). Cole got his 12th in the 40th minute.

EUROPEAN SOCCER

knocking in a rebound after Nicky Butt's shot bounced off the goalpost, then scored his 13th early in the second half on a clever pass from Yorke.

Solskjær got his goal on a header in the 80th minute after a shot by his teammate Ryan Giggs was stopped by West Ham's goalkeeper, Shaka Hislop.

West Ham, suffering its ninth straight loss at Old Trafford, got its lone goal in the 89th on a shot by Frank Lampard.

The victory gave United 38 points, two behind Chelsea and Aston Villa. Chelsea holds first place on goal difference. Arsenal is fourth with 36 points.

On Saturday, Chelsea defeated Newcastle, 1-0, on Dan Petrescu's goal to remain unbeaten in the league since a loss on the opening day of the season.

The triumph was particularly sweet for Chelsea's player-manager, Gianluca Vialli, as his team moved atop the league standings — something it did not do under its former coach — Ruud Gullit, who now coaches Newcastle.

Aston Villa, the league leader all season long, slipped to second after a 0-0 tie at Middlesbrough. Arsenal and Liver-

pool also played to a 0-0 draw, good enough for Arsenal to keep fourth place.

ITALY Abel Balbo registered a hat trick on his first goals of the season as AC Parma moved to the top of the Italian League standings Sunday with a 6-3 victory over its regional rival, Piacenza.

Balbo, the Argentine veteran added to Parma's starting lineup because striker Enrico Chiesa was injured, broke open a tight match played in a steady rain.

His goals in the 51st, 63rd and 64th minutes helped Parma (9-5-2) stretch its unbeaten streak to six games.

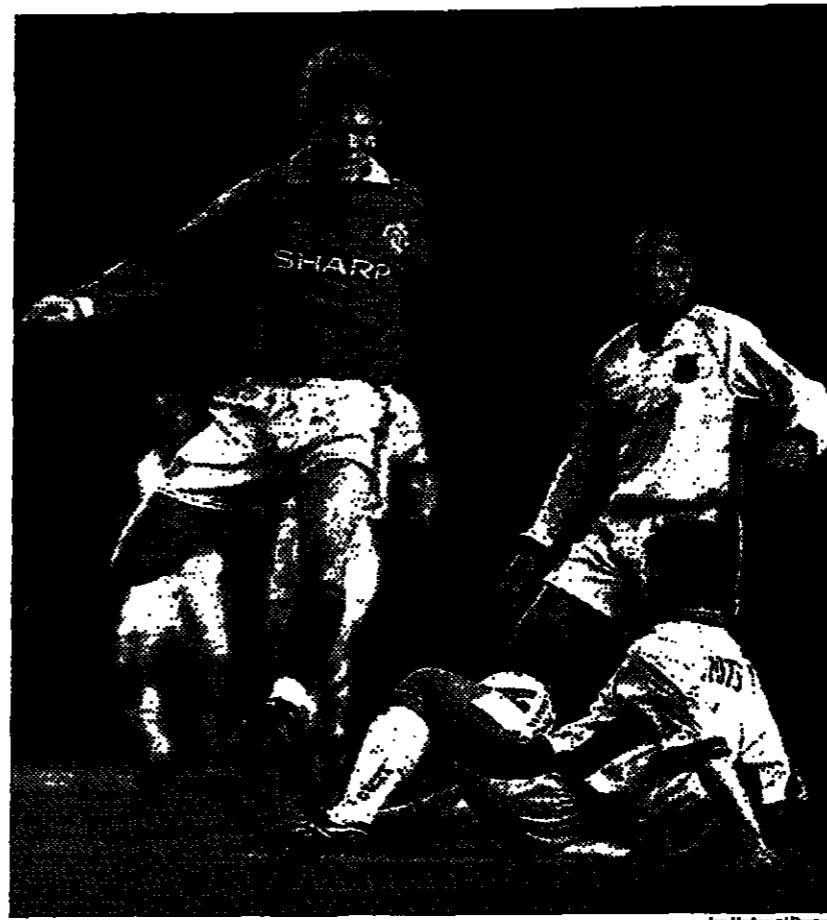
"We controlled the game from the start, even if Piacenza did put up a fight," said Juan Sebastian Veron, who had two assists. "Now we have to go forward, thinking of each game as a test. Parma has shown that it's ready for anything, and no one can stop us from dreaming about the title."

Simone Inzaghi had two goals in a losing cause for Piacenza (4-5-7), which had not lost at home since April 1997.

"We played a very good game on a field that has been tough for the top teams," said Parma's coach, Alberto Malesani.

Internazionale of Milan jumped from sixth to third place after Roberto Baggio and Ronaldo, at last healthy and together in the starting lineup, joined forward Ivan Zamorano in putting on a spectacular show in a 6-2 rout of Venezia. Zamorano had three goals, Ronaldo two and Baggio one against a Venezia team that came into the match allowing an average of just one goal per game.

The other goalfest Sunday came in Sardinia, where host Cagliari upset AS Roma, 4-3, thanks to two goals apiece by Roberto Muzzi and Fabian O'Neill,



Jesper Blomqvist of Manchester United, left, battles for the ball with Steve Potts, on the ground, and Rio Ferdinand of West Ham on Sunday. (AP Wirephoto)

who hit the winner with one minute left. Marco Delvecchio scored twice for Roma, which has lost its last four games.

Elsewhere, Juventino of Turin's hopes for a third straight Serie A title faded further in a 1-1 home draw against Bari, and AC Milan's German midfielder, Christian Ziege, evened the score with seven minutes left and then was expelled for celebrating too vigorously in a 1-1 draw at Empoli.

SPAIN Mallorca, the team with the tightest defense in the Spanish first division, stayed in first place by beating

visiting Real Madrid, 2-1.

The victory over the European Cup holder Sunday left Mallorca three points ahead of Valencia and sent Real down to fifth place.

The game rarely flagged despite a downpour. Mallorca went ahead after 10 minutes when a shot from Laurent Etienne-Mayer was parried by the Madrid goalkeeper, Bodo Illgner. But midfielder Ariel Ibagaza was on hand to put in the rebound. Mallorca doubled its advantage midway through the first half when Real Madrid's captain, Manuel Sanchez, shot the ball into his own goal. (AP, Reuters)

Jets Hold Off Jaguars to Earn a Date in Denver

The Associated Press

EAST RUTHERFORD, New Jersey — The New York Jets are one step from the Super Bowl.

The Jets held on against the Jacksonville Jaguars on Sunday, 34-24, in an American Football Conference divisional playoff to grab their first post-season victory in 12 years. They did it behind two touchdowns apiece by the receiver Keyshawn Johnson and the running back Curtis Martin.

So, the team that was 1-15 two years ago is 13-4 and set to play the Broncos in Denver in the AFC title game for a spot in the Super Bowl, which the Jets won 30 years ago.

After that long-ago victory, New York became one of pro football's laughingstocks. The turnaround began with the hiring of Coach Bill Parcells before the 1997 season and took off this year behind Martin, Johnson, the revitalized quarterback Vinny Testaverde and a stingy defense.

Johnson caught nine passes for 121 yards — he even intercepted a desperation pass at the end of the game — while Martin rushed 36 times for 124 yards and had six receptions for 58 more. They helped New York control the ball for 39:16, as did Testaverde by

Falcons and Broncos win in other NFL divisional playoffs. Page 17.

going 24-of-36 for 284 yards in the AFC East champions' seventh straight victory.

The Jaguars, who have not beaten a winning team on the road since a 30-27 win over the Vikings two years ago, did not go quietly. With the Jets leading, 31-24, and in easy field goal range, Testaverde lofted a pass into the end zone that was intercepted by a rookie safety, Donovan Darius, with about 2 1/2 minutes left. But instead of downing the ball, Darius tried to run and was tackled

at his own 1 yard line.

The Jaguars could not pick up the first down and had to give up the ball. That led to John Hall's second field goal for the final margin. The game ended to explosions of fireworks in the stands and enough noise to make the stadium shake.

But what looked like a rout in the third quarter turned into a close game when the Jets' defense relaxed and allowed 10 late points. Mike Hollis's 37-yard field goal was set up by Wayne Chrebet's fumble.

Johnson, a Pro Bowl receiver, scored the first touchdown on a post pattern when Darius failed to provide support coverage. After the play, Darius slapped his helmet in frustration.

Neither team managed much in the first quarter, and the Jaguars' quarterback, Mark Brunell, had three passes blocked. Jacksonville barely got a chance to improve in the second quarter, when the Jets held the ball for all but 51

seconds. New York scored on Hall's 52-yard field goal and Johnson's 10-yard run on an end-around. Johnson later had an 18-yard run on the same play.

Johnson's second score was set up by more Jaguars mistakes. Chris Hudson picked up Martin's fumble at the Jacksonville 16 and headed down the right sideline. He was caught by Testaverde, of all people, and tried to lateral to Dave Thomas. But the ball bounced loose and the ever-present Johnson dived on it at the New York 35.

The Jets turned right around and marched to a 17-0 lead on Johnson's scoring run, but then the Jaguars used the final 33 seconds of the half to get on the scoreboard. Brunell finally found his deep threat, Jimmy Smith, down the left sideline on a 52-yard pass on the last play of the half, and, suddenly, it was 17-7. Smith also had a 19-yard touchdown catch in the fourth quarter.

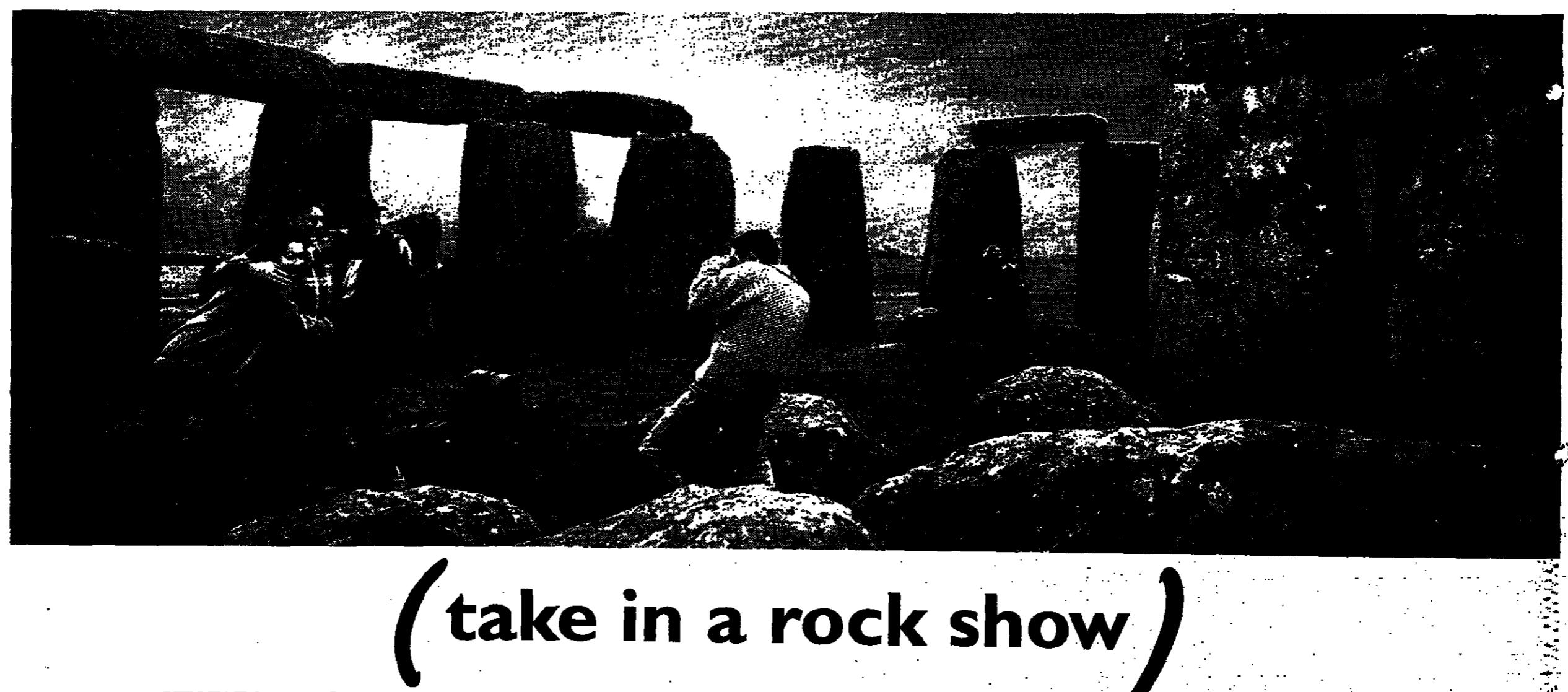
Mistakes continued to plague the Jags early in the second half.

The IOC has reiterated that it will not take the 2002 Games away from Salt Lake City and that seems unlikely to happen at this moment, both for logistical reasons and because most of the corporate sponsors supporting the Olympic movement are based in the United States. But the investigation of prostitution is certain to fuel the debate about whether the people of Utah want these Games any more.

The bribery scandal has already left organizers nervous about whether eroding corporate support will leave them short of their \$1.45 billion budget and force them to scale back the Games. Taxpayers are worried about being saddled with financial burdens and are left with a feeling of embarrassment and betrayal.

An inflammatory issue like prostitution could turn a brushfire of public discontent into a bonfire, said a Salt Lake City councilwoman, Deeda Seed, who has begun to question whether the Games should be held here.

Referring to the escort service investigation, as well as acknowledged wrong-doings such as direct cash payments as high as \$70,000 to IOC members, Seed said: "It's quite appalling. It goes against all the values of this community."



(take in a rock show)

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